



GTN INDUSTRIES LIMITED

ANNUAL REPORT
2011-2012



Board of Directors

Mr. M.K. Patodia Chairman & Managing Director
 Mrs. Anjana Patodia
 Mr. B.L. Singhal
 Mr. M.R. Vikram
 Mr. Sanjay Panicker Nominee - IDBI Bank Ltd.
 Mr. C.George Joseph

Chief Financial Officer

Mr. C.R.Gang

Company Secretary

Mr. P. Prabhakara Rao

Institution / Bankers

Central Bank of India
 State Bank of India
 IDBI Bank Ltd.
 Export-Import Bank of India
 ING Vysya Bank Ltd.
 State Bank of Travancore

Auditors

Lodha & Co.,
 Chartered Accountants, Mumbai.

Registered Office

Chitkul Village, Patancheru Mandal,
 Medak District - 502 307,
 Andhra Pradesh.

Corporate Office

Plot No.29, Nagarjuna Hills,
 Punjagutta, Hyderabad-500 082,
 Andhra Pradesh.

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NOTICE

Notice is hereby given that the 50th Annual General Meeting of GTN INDUSTRIES LIMITED will be held at the Registered Office of the Company at Chitkul Village, Patancheru Mandal, Medak District, Andhra Pradesh at 10.30 A.M on Friday, 10th day of August, 2012 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Statement of Profit and Loss for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Smt. Anjana Patodia, who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in place of Shri C.George Joseph, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Lodha & Company, Chartered Accountants, Mumbai, as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT the consent of the Company be and is hereby accorded to the Board/Committee in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage and/or to create charge on immovable property situated at Nagarjuna Hills, Punjagutta, Hyderabad, in favour of existing Term Lenders on first pari-passu mortgage / charge basis against their existing Term Loans and in favour of Working Capital Bankers on second pari-passu mortgage / charge basis against their existing working capital limits.”

“RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded to the Board/Committee in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage and / or to create charge on all the immovable properties, including property stated above and movable Fixed Assets of the Company excluding assets on which exclusive charge was given and hypothecation of all current assets of the Company subject to prior charges in favour of Bankers for working capital, wherever situated, present and future and of conferring power to enter upon and to take possession of assets of the Company in certain events, etc., on first pari-passu mortgage charge basis, in favour of Export Import Bank of India (Exim Bank) and IDBI Bank Ltd. to secure the following additional loans:

- a) Export Import Bank of India (Exim Bank) of its Term Loan of Rs.350 Lacs and
- b) IDBI Bank Ltd. of its Term Loan of Rs. 350 Lacs.”

“RESOLVED FURTHER THAT Working Capital Bankers namely State Bank of India and IDBI Bank Ltd. shall have second pari-passu mortgage/charge on all immovable properties, including additional property as mentioned above, on their enhanced working capital limits as under:

- a) State Bank of India of its additional Working Capital of Rs.2564 lacs, and
- b) IDBI Bank Ltd of its additional Working Capital of Rs. 365 lacs.”

“RESOLVED FURTHER THAT the Board/Committee of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above resolution.”

6. To consider and if thought fit to pass with or without modification, the following resolution as an Special Resolution :

“RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the fixation of remuneration of Shri.M.K.Patodia Chairman & Managing Director of the Company for a period of 2 (Two) years with effect from 1st December, 2012, on the terms and conditions as are set out in the agreement to be entered into between the Company and Shri M.K.Patodia, a draft whereof is placed before this meeting which is hereby specifically approved with liberty to the Board of Directors (hereinafter referred to the `Board' which terms shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said remuneration and /or agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956 including any Statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri M.K.Patodia.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By order of the Board
For **GTN Industries Limited**

Place : Hyderabad
Date : 24th May, 2012

(P. PRABHAKARA RAO)
Company Secretary

NOTICE (Contd.)**Notes:**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The proxy form duly filled in should be deposited at the Registered office of the Company not less than 48 hours before the 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 at the meeting is annexed hereto and forms part of the Notice.
3. Register of Members and Share Transfer Books will remain closed from 6th day of August, 2012 to 10th day of August, 2012 (both days inclusive).
4. Pursuant to Section 205A(5) of the Companies Act, 1956, Unclaimed Dividend for the financial year ended 31st March, 2004 has been transferred by the Company to **INVESTOR EDUCATION AND PROTECTION FUND (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956, on 24-08-2011. Dividend for the Financial Year ended 31st March, 2005 and thereafter which remain unclaimed for a period of 7 years will be transferred by the Company to the IEPF pursuant to the said provisions of the Act.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Financial Year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31-Mar-05	05-Sep-05	04-Sep-12	03-Oct-12
31-Mar-06	25-Jul-06	24-Jul-13	22-Aug-13
31-Mar-07	30-Jul-07	29-Jul-14	27-Aug-14

Note: No dividend was declared/recommended for the financial year 2007-08 and thereafter.

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of new warrant(s)/cheques by writing to the Company. Also note that no claim shall lie against the said fund or the Company in respect of any amounts which were unclaimed and for a period of seven years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

5. Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual shareholder(s) can avail of the facility of nomination. Shareholders desirous of making nominations are requested to send their request in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent.

**6. Details of Directors retiring by rotation and seeking re-appointment
(In pursuance of Clause 49 of the Listing Agreement)**

Name of the Director	Smt. Anjana Patodia	Shri. C.George Joseph
Date of Birth	23 rd July, 1953	2 nd February,1950
Date of Appointment	17 th December,2005	28 th January,2010
Qualification	Graduate	B.Tech.,
Expertise in specific Functional Area	Director of M/s. Imperial Garments Ltd, Hyderabad since 2004. The Company is engaged in manufacturing and export of Garments.The Annual turnover of the Company was Rs.37.77 Crores for the Financial year 2010-11	Executive Director of M/s. Imperial Garments Ltd, Hyderabad. The Company is engaged in manufacturing and export of Garments. The Annual turnover of the Company was Rs.37.77 Crores for the Financial year 2010-11
Details of other Directorship	Imperial Garments Ltd. Perfect Spinners Ltd. Emkaypee Investments Pvt. Ltd. Megha Investments Pvt. Ltd.	Imperial Garments Ltd. Perfect Knitters Ltd. GTN Engineering (India) Ltd.
Details of other Committee and Membership status	Imperial Garments Ltd : Audit Committee Remuneration Committee	Imperial Garments Ltd : Audit Committee Perfect Knitters Ltd : Audit Committee Remuneration Committee

GTN INDUSTRIES LIMITED

NOTICE (contd.)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 5

The Company has availed term loan of Rs.350 lacs from IDBI Bank Ltd and Rs. 350 lacs from Export-Import Bank of India(Exim Bank). The said financial assistance has to be secured by an appropriate pari-passu first charge/mortgage/hypothecation on such of the Company's immovable and movable assets as may be mutually agreed by the Company and the term lenders. The Company has been sanctioned financial assistance by way of additional working capital facilities from IDBI Bank Ltd and State Bank of India.

Further, the mortgage was created on immovable property situated at Nagarjuna Hills, Punjagutta, Hyderabad.

The said financial assistance(s) has to be secured by an appropriate pari-passu second charge/mortgage/hypothecation on such of the Company's immovable and movable assets as may be agreed between the Company and the said Banks. The Board/Committee has discussed and approved the same in the Meeting held on 7th March, 2012.

Section 293(1)(a) of the Companies Act 1956, provides, inter alia, that the Board of Directors of a Public Limited Company shall not except with the consent of its Shareholders in the General Meeting sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company where the Company owns more than one undertaking, the whole or substantially the whole of any such undertaking.

Since the mortgage by the Company of its Fixed Assets and movable assets, in favour of IDBI Bank Ltd, Export-Import Bank of India (Exim Bank) and State Bank of India as stated above may be regarded as disposal of the Company's properties/undertaking, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act,1956. Copy of sanction letters received from IDBI Bank Ltd, Export-Import Bank of India (Exim Bank) and State Bank of India sanction letters are open for inspection at the Registered office of the Company on any working day prior to the meeting.

None of the Directors are concerned or interested in the resolution.

Your Directors recommend this resolution for approval.

ITEM NO. 6

The present term of office of Shri M.K.Patodia, Chairman & Managing Director is till 30th November, 2014. However, the remuneration recommended by the Remuneration Committee of the Board of Directors and approved by the Shareholders is valid up to 30th November, 2012.

In terms of Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Notification No.G.S.R. 36(E) dated 16th January, 2002, where in any financial year, during the currency of tenure of the managerial person, a company has no profits or its profits are inadequate, having a effective Share Capital including long term loans of Rs.100 crores or more, it may pay remuneration by way of Salary, Dearness Allowance, Perquisites and any other allowance not exceeding the ceiling limit of Rs.2,00,000 p.m by complying (i) payment of remuneration

is approved by a resolution passed by the Remuneration Committee (ii) the Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person. Further not exceeding the ceiling limit of Rs.4,00,000 p.m. by complying (i) payment of remuneration is approved by a resolution passed by the Remuneration Committee; (ii) the Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person; (iii) a special resolution has been passed at the general meeting of the Company for payment of remuneration for a period not exceeding three years; and (iv) a statement along with notice calling the General Meeting referred to in clause (iii) is given to the shareholders containing certain information as specified in the said notification.

The Remuneration Committee of the Board of Directors has discussed and recommended for a period not exceeding 2 years, as set out below and also mentioned in the draft agreement between the Company and Shri M.K.Patodia, however subject to the members approving the same.

The principle terms of the remuneration are as follows

a) Salary:

Rs. 3,00,000/- per month effective from 1st December, 2012 for a period not exceeding 2 years.

b) Commission:

As per the provisions of the Companies Act, 1956

c) Perquisites :

- (i) Housing: NIL
- (ii) The expenditure incurred on gas, electricity and water shall be reimbursed by the Company.
- (iii) Medical expenses including premium paid for medical claim policy incurred for self and family shall be reimbursed.
- (iv) Leave Travel Concession for self and family will be allowed once in a year as per the Rules of the Company.
- (v) Fees of Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.
- (vi) The premium for personal accident insurance policy which shall not exceed Rs.25000/- per annum.
- (vii) Provision of Car with driver and Telephone at the residence.
- (viii) Un-availed Leave to be en-cashed at the end of the tenure.

The value of the above perquisites shall not exceed Rs. 75000/- per month. In addition, Company will make contribution to:

- a) Provident Fund,

NOTICE (contd.)

- b) Superannuation or Annuity Fund to the extent the same are not taxable under the Income Tax Act, and
- c) Gratuity as per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company.

d) Minimum Remuneration :

The remuneration as stated above as minimum remuneration in the event of inadequacy of profit subject to the ceiling of minimum remuneration as stated in Part II, Section II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time being in force.

Provided, however, that the overall remuneration payable shall not exceed the limits specified under Sections 198 and 309 of the Act.

Shri M.K.Patodia while continue to be the Chairman and Managing Director, shall not be subject to retirement by rotation pursuant to the provisions of Section 255 of the Companies Act, 1956.

Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members in General Meeting is required to be obtained with regard to the remuneration as set out in item Nos.6 of the accompanying Notice.

Further more, approval of the members in General Meeting by way of a special resolution is required to be obtained for payment of minimum remuneration, by way of salary and perquisites and allowances as specified above in the event of absence or inadequacy of profit in any financial year during the tenure of Shri M.K.Patodia as the Chairman and Managing Director of the Company.

Information required to be disclosed in terms of Notification G.S.R.36(E) dated 16.01.2002 of Schedule XIII to the Companies Act, 1956.

I. General Information:**i) Nature of Industry**

Textile Industry - The Company is mainly engaged in manufacture and exports of Cotton Yarn in the segment of medium, fine, and superfine combed yarns.

ii) Date or expected date of commencement of commercial production.

It is an established Company and the commercial production commenced in 1964.

iii) Financial Performance for preceding five years.

The turnover and profitability from 2007-08 onwards is furnished below:

(Rs. in lacs)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Sales	28054	20644	27305	39912	38018
Other Income	26	37	150	37	188
Operating Profit	2452	318	2275	5197	1718
Interest	1227	1529	1434	1881	1668
PBDT	1225	(1211)	841	3316	50
Profit Before Tax	(188)	(2747)	(728)	1770	(1513)
Profit After Tax	(200)	(1876)	(601)	951	(918)

The effective Capital of the Company based on the Audited Accounts for the year ended 31st March, 2012 is Rs.151.51 Crores

- iv) Export performance and Foreign Collaboration :
- a) Export Performance

(Rs. in lacs)

Financial Year	Export turnover
2007-08	20950
2008-09	12611
2009-10	15578
2010-11	23958
2011-12	21767

- b) The Company does not have any foreign Investment or Collaboration.

II. Information about the appointee Shri M.K.Patodia :

Shri M.K.Patodia is an Indian citizen having 61 years of age. He is a Chartered Accountant with over 38 years of experience in Textile Industry, Yarn Marketing and Cotton Trade. He looks after the operations of all Units besides financial planning and control for the Company. Shri M.K.Patodia was appointed as an Executive Director with effect from 1st October, 1980 and has been elevated to the post of Managing Director in October, 1989 and become Chairman and Managing Director in October, 2008.

During the Financial Year 2011-2012, Shri M.K.Patodia was paid the following remuneration

(Rs. in lacs)

Salary	Commission	Perquisites	P.F/Gratuity/ Superannuation	Total
15.00	-	0.72	3.94	19.66

The AGM approved salary of Rs.34.20 lacs per annum in the scale of Rs. 2,85,000 - 30,000 - 3,75,000/- and other perquisites namely, Medical expenses, LTC, fees of Clubs, gas, electricity, water bills, car with driver and personal accident insurance policy premium etc., along with contribution to PF, Superannuation and Gratuity.

GTN INDUSTRIES LIMITED

NOTICE (contd.)

The Remuneration Committee and the Board of Directors of the Company have recognised the expertise, increase in the activities, rich and diversified experience of Shri M.K.Patodia in Textile Industry and accordingly, recommended the remuneration, subject to the approval of the Shareholders of the Company. His remuneration is comparable with the market trend for a Managing Director level Executive.

Pecuniary relationship: The Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the Company. Further, all transactions with the related parties were in the ordinary course of business and at arms length.

III. Other information:

The Directors' Report and Management Discussion and Analysis forming part of the Annual Report mention in detail, 'other information' as required under Schedule XIII as per Notification No.G.S.R. 36(E) dated 16.01.2002.

The draft Agreement referred in the resolutions would be available for inspection by the Members at the Registered office of the Company on any working day between 11.00 a.m. and 1.00 p.m. prior to the date of the meeting.

Shri M.K.Patodia and Smt.Anjana Patodia being related to each other are deemed to be interested in the resolution mentioned in Item No.6 of the notice.

None of the other Directors of the Company is in any way concerned or interested in the resolution mentioned in item No.6 of the Notice.

The terms and conditions mentioned in item No.6 of the notice may also be taken as an abstract of the Agreement to be made by the Company with Shri M.K.Patodia, pursuant to Section 302 of the Companies Act, 1956.

By order of the Board
For **GTN Industries Limited**

Place : Hyderabad
Date : 24th May, 2012

(P. PRABHAKARA RAO)
Company Secretary

REQUEST TO THE MEMBERS

1. Members desiring any information on the Financial Statements at the Annual General Meeting are requested to write to the Company at least seven days in advance so as to enable the Company to keep the information ready.
2. As a measure of economy, copy of Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copy of the Annual Report to the Meeting.
3. All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s. Integrated Enterprises (India) Ltd.
4. Members are requested to note that the Company's Equity Shares are compulsorily traded in Demat form for all investors. Members are requested to open depository account in their names with a depository participant to dematerialize their holdings. This would be necessary for facilitating the transfer of Company's shares in all stock exchanges connected to the depository system.
5. Members are requested to note that the Ministry of Corporate Affairs has taken a "**Green Initiative in the Corporate Governance**" by allowing paperless compliance by the Companies after considering Sections 2,4,5 and 81 of the Information Technology Act, 2000 for legal validity of Compliance under Companies Act through electronic mode. Where as the Department of posts has discontinued the postal facility "Under Certificate of Posting" vide their letter dated 23-02-2011. Keeping in view of above, if the service of document has been made through electronic mode provided the Company has obtained e-mail address of its members of sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company.

DIRECTORS' REPORT

To The Members,

Your Directors are pleased to present the 50th Annual Report together with the Audited Statements of Account for the year ended 31st March, 2012.

FINANCIAL RESULTS

(Rs. in Lacs)

	Year Ended 31 st March, 2012	Year Ended 31 st March, 2011
INCOME		
Net Sales/Income from operations*	38018	39912
Other Income	188	90
Variation in Stock	(75)	646
Total	<u>38131</u>	<u>40648</u>
EXPENDITURE		
a) Cost of Materials**	26137	25732
b) Staff Cost	2764	2487
c) Power & Fuel	3098	2654
d) Other expenditure	4414	4578
Total	<u>36413</u>	<u>35451</u>
OPERATING PROFIT	1718	5197
Interest	1668	1881
PROFIT BEFORE DEPRECIATION AND TAXATION	50	3316
Depreciation	1563	1546
PROFIT/(LOSS) BEFORE TAX	(1513)	1770
Provision for Deferred Tax	(595)	803
Provision for Income Tax	-	375
MAT Credit Entitlement	-	(359)
PROFIT/(LOSS) AFTER TAX	(918)	951

* Sales includes Traded goods of Rs.8103 lacs (Previous year Rs. 12577 lacs) ** Cost of Material includes Trading purchases of Rs.7120 lacs (Previous year Rs.11165 lacs)

DIVIDEND

In view of the loss during the year, to conserve available resources and considering that company is still under CDR, your Directors have not recommended any Dividend for the year.

PERFORMANCE REVIEW

During the Financial Year under review, the Company has achieved turnover at Rs.38018 lacs against Rs.39912 lacs in the corresponding previous year. The operating and cash profit were lower by Rs.3479 lacs and Rs.3266 lacs respectively, as compared to the corresponding previous year.

The low performance is mainly, due to significant increase in raw material cost without corresponding increase in sales realisations both in domestic as well as export market. In addition, there was an increase in other costs namely, power, personnel and forex fluctuations etc.,

Currently, the cotton prices are more or less stagnant with the yarn sales realisation sliding down. The real position will be known only when new cotton crop will arrive in the market in October - November, 2012.

CORPORATE DEBT RESTRUCTURING

Due to Corporate Debt Restructuring during 2009-10, the Company could achieve greater financial flexibility in the operations. Further, payments are regular as per repayment schedule. The Company has complied with all the terms of Corporate Debt Restructuring Scheme approved by lenders/ CDR -EG.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and there are no material departures;
- they 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 your Company at the end of the financial year and of the Loss of the Company for that year.
- they have taken proper and sufficient care, for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- they have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE

Your Directors affirm their commitments to the Corporate Governance Standards prescribed by the Securities and Exchange Board of India (SEBI). A report on Corporate Governance with Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

FIXED DEPOSITS

The Company had no Unclaimed Deposits outstanding as at the close of the financial year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Smt. Anjana Patodia and Shri C.George Joseph, Directors retire from office by rotation and are eligible for re-appointment.

AUDITORS

M/s. Lodha & Company, Chartered Accountants, Mumbai, Auditors of the company will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

PERSONNEL & INDUSTRIAL RELATIONS

During the year, the Industrial relations were cordial and satisfactory, except disruption in the operation due to labour unrest at Yarn Processing Unit for 38 days during the year under review. There were no employees whose particulars are to be given in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

GTN INDUSTRIES LIMITED

DIRECTORS' REPORT (contd.)

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, are set out in Annexure- I, attached hereto and forms part of this report.

Central Bank of India, State Bank of India, IDBI Bank Ltd, Export-Import Bank of India (Exim Bank), ING Vysya Bank and State Bank of Travancore, the concerned Departments of the State and Central Government, Employees and Shareholders of the Company for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to CDR- EG,

Place : Hyderabad
Date : 24th May, 2012

M.K.PATODIA
Chairman & Managing Director

ANNEXURE – I

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report :

A. Energy Conservation

The Company is making all round efforts for the conservation of energy. To reduce the energy cost, energy efficient equipments are being used. Total energy consumption and energy consumption per unit of production, as prescribed in Form - A, is as under :

Particulars	Year Ended 31 st March, 2012	Year Ended 31 st March, 2012
I. Power Consumption		
1 Electricity		
a) Purchased (Units in lacs)	621.76	611.19
Total amount (Rs. in lacs)	2741.62	2415.68
Rate per unit (Rs.)	4.41	3.95
b) Own generation through Diesel		
Generator (Units in lacs)	16.47	6.94
Units per litre of Diesel Oil (No.)	3.19	4.45
Cost per unit (Rs.)	12.31	11.67
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others / Internal generation	Nil	Nil
II. Consumption per unit of production		
a) Electricity - Units per Kg. Yarn	7.77	7.82
b) Furnace Oil (low sulphur high stock oil) Ltrs per Kg/unit	-	-

B. Technology Absorption

Efforts made in Technology absorption as per Form-B:

Indigenous Technology alone is used and Research and Development are carried out by a separate Textile Research Association for Textiles Units situated in Southern Region (SITRA).

C. Foreign Exchange Earnings & Outgo

Total Foreign Exchange earned and used excluding Capital Goods, Components & Spares:

Earned : Rs. 21680.61 lacs (Previous year Rs.23536.81 lacs)

Used : Rs. 8384.02 lacs (Previous year Rs. 3983.04 lacs)

For and on behalf of the Board

Place : Hyderabad
Date : 24th May, 2012

M.K.PATODIA
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Corporate Governance

The Company firmly believes in and has consistently endeavored to practice good Corporate Governance. The Company's philosophy on Corporate Governance envisages the attainment of the highest level of transparency, professionalism and accountability, in all facets of its operations and in all its interactions with its stake holders including Shareholders, Employees, the Government and the Lenders.

2. Board of Directors

The Board of Directors Consists of 6 Directors.

Composition and category of Directors as on 31st March, 2012 is as follows:

Category	Name of the Director
Promoter / Executive Director	Mr. M.K. Patodia
Promoter / Non-Executive Director	Mrs. Anjana Patodia
Non-Executive and Independent Directors	Mr. B.L. Singhal Mr. M.R. Vikram Mr. Sanjay Panicker
Non-Executive and Non Independent Director	Mr.C.George Joseph

Attendance of each Director at the Board Meetings, last Annual General Meeting & Number of other Directorship and Chairmanship/Membership of Committee(s) in various Companies:

Name of the Director	Attendance Particulars		No. of other Directorships & Committee Member / Chairmanship*			
	Board Meetings	Last AGM	Directorship including Pvt. Ltd. Cos.	Committee Membership	Committee Chairmanship	Shareholding in the Company (No.of Shares with Face Value of Rs.10/-each)
Mr. M K Patodia	4	Yes	8	-	None	1986713
Mrs.Anjana Patodia	4	Yes	4	4	None	514332
Mr. B L Singhal	4	Yes	7	4	5	12130
Mr. M R Vikram	1	No	12	2	1	-
Mr.Sanjay Panicker(Nominee IDBI)	4	Yes	-	1	None	-
Mr.C.George Joseph	1	Yes	2	2	None	-

* Membership in Audit Committee/Shareholders/Investors Grievance Committee only considered.

Number of Board Meetings held and the date on which held:

Four Board Meetings were held during the year on the following dates:

26 th May, 2011	31 th October, 2011
27 th July, 2011	7 th February, 2012

The Maximum time gap between any two meetings was not more than four calendar months.

GTN INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE (contd.)

3. Audit Committee

The Audit Committee consists of Non-executive Directors viz. Mr. B.L.Singhal - Chairman, Mr. Sanjay Panicker, Mr. M.R.Vikram and Mrs. Anjana Patodia. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and clause 49 of the listing agreement. The composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations.

The Audit Committee oversees financial reporting process and disclosures, review annual financial statements, management discussion and analysis of financial condition and results of operation, review adequacy of internal audit function, related party transactions, review financial and risk management policies, to look into the reasons for material defaults in the payment to depositors, debenture/shareholders and creditors, if any, oversee compliance with stock exchange and legal requirements concerning financial statements, review auditors qualifications (draft), compliance with Accounting Standards, recommending the appointment and renewal of External Auditors, Internal Auditors and Cost Auditors, fixation of audit fee and also approval for payment for other services etc.

Attendance of each member at the committee meeting is as follows:

S.No.	Name of the Member	Status	No. of Meetings attended
1	Mr. B.L.Singhal	Chairman(Audit Committee) & Independent Director	4
2	Mrs. Anjana Patodia	Promoter/ Non-Executive Director	4
3	Mr. M.R. Vikram	Independent Director	1
4	Mr. Sanjay Panicker	Independent Director	4

The Audit Committee meetings were held on following dates:

26 th May, 2011	31 st October, 2011
27 th July, 2011	7 th February, 2012

4. Remuneration Committee

Remuneration Committee consists of Non-Executive and Independent Directors viz. Mr. M. R. Vikram, Mr. B.L.Singhal and Mr.Sanjay Panicker.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Chairman & Managing Director. The remuneration policy is in consonance with the existing industry practice and also with the provisions of the Companies Act, 1956.

During the year one Remuneration Committee Meeting was held on 31-10-2011.

Details of Remuneration Paid to Chairman & Managing Director during the year

The aggregate of salary and perquisites paid to Mr. M.K.Patodia, Chairman & Managing Director for the year ended 31st March, 2012 was Rs. 19.66 Lacs. The remuneration consisting of salary of Rs.15.00 lacs and other perquisites namely - reimbursement of Medical expenses, Club Fees, Personal accident insurance policy premium, Company's contribution to Superannuation Fund, Provident Fund and Gratuity Fund aggregating to Rs. 4.66 lacs.

Remuneration Paid to Non-Executive Directors

No remuneration is paid to Non-Executive Directors except sitting fee at the rate of Rs. 5000/- up to 26-05-2011 and Rs. 7500/- from 27-07-2011 onwards for each meeting of the Board, Audit Committee and Shareholders Grievance Committee Meetings.

REPORT ON CORPORATE GOVERNANCE (contd.)

The fees paid for the year ended 31st March, 2012 to the Directors is as follows:

Name of the Director	Amount (in Rs.)
Mrs. Anjana Patodia	82500
Mr. B. L. Singhal	82500
Mr. M. R. Vikram	22500
M/s. IDBI Bank Ltd (for Nominee Director)	55000
Mr. C.George Joseph	7500

5. Shareholders/Investors Grievance Committee

Shareholders/Investors grievance committee consists of Mr. M.R.Vikram, Chairman, Mr. B.L.Singhal and Mrs. Anjana Patodia. The committee reviews redressing of shareholders and investors complaints like delay in transfer of shares, non- receipt of Balance Sheet, non-receipt of declared dividend warrant etc., besides complaints from SEBI, Stock Exchanges, Courts and various Investor Forums. The committee also oversee the performance of Registrar and Share Transfer Agents and recommends measures for overall improvement in the quality of investor services.

The Board has designated Mr. P.Prabhakara Rao, Company Secretary as the Compliance Officer.

During the year under review 22 complaints were received and resolved. There was no pending complaint as on 31st March, 2012. No request for transfer of Shares was pending as on 31st March, 2012 except electronic request for 3 nos. which were dealt with by our STA on 03-04-12 and 04-04-12 .

6. General Body Meetings

6.1 Location, date and time of Annual/Extra-Ordinary General meetings held during last 3 years are as under:

Year	Location	Nature of Meeting	Date	Day	Time
2008-09	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	29 th July,09	Wednesday	10.15 A.M
2009-10	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	EGM	5 th Jan,10	Tuesday	11.00 A.M
2009-10	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	29 th July,10	Thursday	10.15 A.M
2010-11	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	27 th July,11	Wednesday	10.15 A.M

6.2 Whether special resolutions were put through postal ballot, last year: **NO**

6.3 Are votes proposed to be conducted through postal ballot, this year: **NO**

7. Code of Conduct

The Board of Directors has laid the Code of Conduct pursuant to clause 49 (1D) of the Listing Agreement with Stock Exchanges. Accordingly, the Company Secretary communicated to the Board Members and Senior Management Personnel to affirm its compliance on an annual basis and also taken their confirmation in this regard.

8. Prevention of Insider Trading

In pursuance of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading" and authorised Audit Committee to implement and monitor the various requirements as set out in the code. The Board has designated Company Secretary as the Compliance Officer.

9. Risk Management

The Company has laid down the procedure to inform the Board about the risk assessment and minimisation procedures. Quarterly action taken report is submitted to the Board to ensure effective risk management.

REPORT ON CORPORATE GOVERNANCE (contd.)

10. Disclosures

- i) Disclosure on materially significant related party transactions, that may have potential conflict with the interest of the Company at large:
During the year, the Company had not entered into any transaction of a material nature with any of the related parties, which were in conflict with the interest of the Company. All transactions with the related parties were in the ordinary course of business and at arms length.
- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: **NONE**
- iii) Whistle Blower policy and affirmation that no person has been denied access to the Audit Committee:
The Company promotes ethical behavior in all its business activities and has put in place mechanism of reporting illegal or unethical behavior. Employees are free to report existing / probable violations of laws, rules, regulations or unethical conduct to their immediate supervisor / notified person. The Directors and Senior Management are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practice.
- iv) Details of compliance with all mandatory requirements and adoption of the non-mandatory requirements of the clause :
The Company has complied with all mandatory requirements and has not deliberated about adoption of the non-mandatory requirements.

11. Means of Communication

The quarterly/half yearly un-audited and annual audited financial results of the Company are sent to the Stock Exchange (s) immediately after they are approved by the Board of Directors.

Half - yearly report to each household of Shareholders

Half-yearly report is not sent to each household of shareholders, the Company publishes the same in the all India circulated National and Local dailies such as Business Standard (National Daily), Andhra Prabha/Surya (Regional Newspaper).

Quarterly Results

The quarterly results are normally published in any of the all India circulated National and Local dailies such as Business Standard/(National Daily) and Andhra Prabha/Surya (Regional newspaper).

NSE Electronic Application Processing System (NEAPS)

The NEAPS is a web based application designed by NSE for corporates. The Shareholding Pattern and Corporate Governance Report are also filed electronically on NEAPS.

SEBI Complaints Redress System (SCORES)

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

The Company did not make any presentation to the Analysts/Institutional Investors.

The Management Discussion and Analysis (MD&A) is a part of the Annual Report.

12. Compliance Certificate of the Auditors

Certificate from the Auditors of the Company, M/s. Lodha & Co., Chartered Accountants, Mumbai, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is forming part of the Annual Report.

13. CEO and CFO Certification

The CEO and the CFO of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49 of the listing agreement.

14. Share Capital Audit Report

The Company has appointed Shri V. Chandra Mowli, Practicing Company Secretary, to conduct Audit and report on Reconciliation of Share Capital of the Company for the Financial Year ended March 31, 2012, who have submitted report confirming the compliance with all the applicable provisions of various corporate laws.

15. Capital Integrity Audit

The Audit Report, confirming that the total Issued Capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to the Stock Exchange(s) in India, where the securities of the Company are listed.

REPORT ON CORPORATE GOVERNANCE (contd.)

16. General Shareholders Information

- a) Annual General Meeting :
- Date and Time : Friday, 10th August, 2012 at 10.30 A.M.
- Venue : Chitkul Village, Patancheru Mandal,
Medak Dist - 502 307, Andhra Pradesh.
- b) Financial Calendar (tentative) :
- Annual General Meeting : Friday, 10th August, 2012
- Results for quarter ending 30th June, 2012 : Within 45 days from end of the quarter
- Results for quarter ending 30th Sep, 2012 : Within 45 days from end of the quarter
- Results for quarter ending 31st Dec, 2012 : Within 45 days from end of the quarter
- Results for quarter / year ending 31st Mar, 2013 : Within 45 days from end of the quarter (if Unaudited) or
Within 60 days from end of the financial year (if Audited)
- c) Book Closure date : 6th August, 2012 to 10th August, 2012 (both days inclusive)
- d) Dividend payment date : No Dividend recommended by the Board for the Year 2011-12
- e) Listing of Equity Shares at Stock Exchanges at : BSE Limited and National Stock Exchange
Annual listing fee for the year 2012-13 has been paid to BSE and NSE.
- f) (I) STOCK CODE
- Scrip Code No : Trading Symbol : BSE Limited : 500170
: National Stock Exchange : GTNIND.
- (II) Demat ISIN Nos. in NSDL & CDSL : INE537A01013
- g) Stock Market Data :

Month & Year	BSE Limited (BSE)		National Stock Exchange(NSE)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
Apr-11	24.00	20.75	25.00	20.05
May-11	21.10	15.00	22.15	15.25
Jun-11	17.75	14.20	19.90	13.10
Jul-11	18.00	13.25	18.00	13.10
Aug-11	16.25	11.65	16.70	11.00
Sep-11	14.85	12.00	15.45	11.35
Oct-11	15.45	11.56	16.50	12.05
Nov-11	14.70	9.16	14.50	9.70
Dec-11	12.60	9.21	11.60	7.70
Jan-12	12.80	10.10	12.40	10.00
Feb-12	12.85	10.90	12.60	10.90
Mar-12	13.50	9.70	12.55	9.60

GTN INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE (contd.)

- h) Share Registrar and Transfer Agents : **Integrated Enterprises (India) Ltd.**
2nd Floor, "Kences Towers", No. 1, Ramakrishna Street,
North Usman Road, T. Nagar, Chennai - 600 017.
Ph : 044-28140801 - 03 Fax : 044-28142479
E-mail: corpseiv@integratedindia.in
- i) Share Transfer System : Presently, the share transfers which are received in physical form are processed and the Share Certificates are returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. As regards shares held in electronic form, the credit being given as per guidelines/bye-laws issued by SEBI and NSDL / CDSL.
- j) i) Shareholding pattern as on 31st March, 2012 :

S.No.	Category	No. of shares	%
1	Promoters & Associates	*13092188	74.64
2	Indian Financial Institutions, Banks and Mutual Funds	91930	0.52
3	Others	4356260	24.84
	Total	17540378	100.00

*Out of 13092188 Equity Shares 6677100 shares were pledged to lenders with Voting Rights.

- ii) Distribution of Shareholding as on 31st March, 2012 :

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of holding
Up to 100	20418	87.34	632152	3.60
101 – 500	1970	8.43	550795	3.14
501 – 1000	464	1.99	381301	2.17
1001 – 10000	470	2.00	1308642	7.46
10001 – 100000	47	0.20	1227888	7.01
Above 100000	9	0.04	13439600	76.62
Total	23378	100.00	17540378	100.00

- k) Dematerialisation and liquidity of Shares:

The Shares of the Company are compulsorily traded in **DEMAT** form by all categories of investors w.e.f 28th August 2000. The Company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. As on **31st March, 2012, 97.25%** Equity shares of the Company were held in dematerialised form.

Liquidity of Shares

The shares of the Company are traded in the BSE Limited (BSE) and National Stock Exchange (NSE).

REPORT ON CORPORATE GOVERNANCE (contd.)

l) Plant Locations

SPINNING UNIT	SPINNING UNIT	DOUBLING UNIT	KNITTING UNIT	YARN PROCESSING UNIT
Chitkul Village, Patancheru Mandal, Medak District, PIN- 502 307. Andhra Pradesh.	Khurajgaon Village, Saoner Tahsil, Nagpur District, PIN- 441 112. Maharashtra.	Chitkul Village, Patancheru Mandal, Medak District, PIN- 502 307. Andhra Pradesh.	Chitkul Village, Patancheru Mandal, Medak District, PIN- 502 307. Andhra Pradesh.	Gundlapotlapally Village, Balanagar Mandal, Mahaboobnagar District, PIN- 509 202. Andhra Pradesh.

m) Investor Correspondence

- i) For transfer / dematerialisation of Shares,
payment of dividend and any
other query relating to the Shares of the Company.

- i) **For Shares held in Physical form:**
Registrar and Share Transfer Agent
ii) **For Shares held in Demat form:**
To the Depository Participants

- ii) Any query on Annual Report

Secretarial Department,
GTN INDUSTRIES LIMITED
Plot No. 29, Nagarjuna Hills, Punjagutta,
Hyderabad - 500 082, Andhra Pradesh.
Tel : 040 - 4340 7804 / 811, Fax : 040 - 23358400
E-mail : sharedept@gtnindustries.com
: hyd1_patodia@gtnindustries.com

The above report was adopted by Board of Directors at their meeting held on 24th May, 2012.

AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT :

**TO
THE MEMBERS OF
GTN INDUSTRIES LIMITED**

- We have examined the compliance of conditions of Corporate Governance by **GTN INDUSTRIES LIMITED** (the Company) for the year ended 31st March, 2012, as stipulated in clause 49 of the Listing Agreement entered into by the Company, with the Stock Exchanges of India.
- The Compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- On the basis of our review and according to the information and explanations given to us and representation made by the management, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchanges have been complied with in all material respects by the Company.
- We further 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 Lodha & Co.,
Chartered Accountants

A.M. Hariharan
Partner

Firm Regn. No. 301051E
M. No.: 38323

Place : Mumbai
Date : 24th May, 2012

MANAGEMENT DISCUSSION & ANALYSIS**1. INDUSTRY STRUCTURE & DEVELOPMENTS**

The Textile Industry is one of the oldest Industry in the country and plays a pivotal role in the country's economy in terms of Industrial Production, Employment and Foreign Exchange earnings. The Textile Industry has achieved a good growth in last two decades in terms of installed spindles and yarn production. India's installed spindles were expanded to 48.25 million in March, 2012, accounting for 20 per cent of world's spindleage. This could happen due to buoyant domestic / international demand and conducive Government Policies. Indian Textile sector contributes 4% to the country's gross domestic product (GDP), accounting for 14% of industrial production, 11% to country's exports and also employs about 3.5 crores workers directly. In addition, this industry provides indirect employment to large number of workforce and also helps to develop many related ancillaries which generates further employment. It is the second largest employment provider after the agricultural sector.

The Indian Textile Industry faced a difficult period since 2007-08 till December, 2009 due to global recession and economic conditions leading to a sharp fall in consumer demand for textile products. In addition, unprecedented hike in minimum support price of seed cotton and massive exports of raw cotton resulted in substantial higher cotton prices in the domestic market.

However, the markets were buoyant during 2010-11 on account of strong export and domestic demand arising from favourable demographic factor and rapid changes in the lifestyle of consumers. But again since June 2011, the Indian textile industry has severely affected due to increase in global cotton prices, Govt. policy to allow export of cotton, increase in other costs like power, interest etc., withdrawal of DEPB from Oct, 2011 and volatile exchange rates.

It is hoped that textile industry may perform better after arrival of new cotton crop in Oct – Nov 2012 since it is expected that cotton crop is likely to be higher and prices are forecasted to be relatively lower than the current levels. In addition, the Govt. has proposed to restructure the repayment of loans, continuation of TUF Scheme till 31-03-2013. These are favourable indicators for the reasonable growth of textile industry in the country.

COTTON SCENARIO

As per the Cotton Advisory Board, cotton crop estimates for 2011-12 is 347 lac bales (containing 170 kgs of cotton per bale) which is 11.22% higher than last year's production of 312 lac bales. The demand/consumption was 252 lac bales which is lower as compared to 2010-11 as well as 2009-10.

Due to the higher realisation of cotton prices in this year, the estimated area under cultivation is 121.91 lac hectare which is higher by 9.41% of 2010-11. It has been estimated that the next year crop will be more than 350 lac bales approximately.

Due to the volatile situation, the crop estimation of USDA is lower by 5% and the consumption expected to be increased by 3%.

It is early to estimate the crop for domestic as well as internationally. Due to the low realisation of cotton, the farmers planned to switch-over from cotton to other crops in India as well as in USA.

MARKETING

India is a large supplier of cotton yarn in world market. Due to recession during 2009 in global markets, volume and value of export have come down significantly. However, from January, 2010 exports have improved and surpassed the Government's target of \$ 200 billion with an overall growth of 37.6% in 2010-11 exports. During 2011-12 the export demand of yarn had down trend. Your Company is mainly in export of medium, fine and superfine combed yarn and it has been constantly focusing its efforts to cater to high end users. The Company has got excellent relations with all its overseas customers who have been dealing with the Company over the years, by adhering to quality standards, delivery schedules and competitive prices.

Further, due to strengthening of the dollar, net realisation from exports looks to be favourable. The demand in domestic market is also improving for woven and garment sector and gradually Company expect to have larger sale in domestic market.

FOREX/EXCHANGE RISK

The exchange rate plays an important role since most of our export business is in dollar. The importing countries must be able to import yarn at a proper price as per their currencies and any major volatility in this aspect also affects business competitiveness.

As on 31st March, 2011 dollar rupee exchange rate was at Rs.44.71 and exchange rate in second half of the financial year 2011-12 was volatile. At the end of March, 2012, dollar rupee exchange rate was at Rs.51.21.

During 1st Quarter of 2012-13 also, dollar rupee exchange rate was significantly volatile at around Rs.54.00 to Rs.57.00. Due to high volatility there is possibility of exchange risk as it does not permit to plan properly. The Company expects to

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

realise its exports at current rate. However, it will have impact on import of cotton.

2. OPPORTUNITIES, THREATS AND CONCERN

The future of Indian Textile Industry is highly depending on availability of quality cotton at a competitive price. With the introduction of Hybrids and BT Cotton, the cotton production in India is increasing every year and it is expected that the supply of quality cotton will be comfortable in the coming season 2012-13.

Chinese exports of textiles and clothing are declining especially to USA, thus, providing an opportunity to India for improving its export performance. In long run, the prospectus of Indian Textile Industry seems to be bright.

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

Spinning units are highly capital intensive and has to maintain large Raw Material inventory levels due to its seasonality. Your Company makes all efforts to have efficient inventory management and constant efforts are being made to monitor the inventory levels keeping in view of high interest costs.

Your company has a system of assessing the risks on an ongoing basis. This includes an effective internal control and management reporting system. Further, the framework also captures the existing practices to manage commodity price risk, interest risk, and foreign exchange risk etc. An important aspect of this framework is to promote a balanced approach that considers risk and return.

3. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company is mainly engaged in the business of manufacture and export of cotton yarn and accordingly the Company is having single reportable segment.

4. OUTLOOK

The Company continues to be an important player in the field of cotton yarn in medium / fine count segment and specialised products like gassed, mercerised and compact yarns. There are good prospects for increasing exports of cotton yarn to Asian countries. The Company is making all efforts to explore new markets apart from existing markets.

The year 2011-12 has witnessed good demand but with the pressure on price in both domestic and export market. The first quarter of the current year is showing declining demand trend, which appears to be temporary and overall outlook for the Indian spinning industry appears to be promising.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate Internal Control System to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly.

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

6. FINANCIAL AND OPERATIONAL PERFORMANCE

Please refer Director's Report on performance review.

7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company recognises the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The Company has been adopting methods and practices for Human Resources Development. With utmost respect to human values, Company served its human resources with integrity through a variety of services by using appropriate training, motivation techniques and employee welfare activities etc. Industrial relations were cordial and satisfactory except disruption in the operation due to labour unrest at Yarn Processing Unit for 38 days during the year under review. As on 31st March, 2012, the Company has about 1650 (including trainees, casuals etc.) employees in its various Offices and Plants.

8. CAUTIONARY STATEMENT

Statements made in this report describing the Company's projections, estimates, expectations or predictions may be 'forward looking' within the meaning of applicable securities laws and regulations. Actual results may differ from such estimates, projections, etc. whether expressed or implied. Factors which would make a significant difference to the Company's operations include availability of quality raw cotton, market, prices in the domestic and overseas markets, changes in Govt. regulations and tax laws, economic conditions affecting demand / supplies and other environmental factors over which the Company does not have any control.

AUDITORS' REPORT

**TO
THE MEMBERS
GTN INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of **GTN INDUSTRIES LIMITED** as at 31st March, 2012, the Statement of Profit and Loss and also the Cash Flow Statement 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 the 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, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto 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 purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Act, to the extent applicable;
 - (e) On the basis of written representations received from directors as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - ii) in the case of the Statement of Profit & Loss, of the loss of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For LODHA & CO.,
Chartered Accountants

A.M. Hariharan
Partner

Place : Mumbai
Date : 24th May, 2012

Firm Registration No.: 301051E
M. No.: 38323

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012.

On the basis of our examination of the books and records of the Company carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we state that:

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The assets have been physically verified by the management in accordance with the phased programme of verification adopted by the Company, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. According to the information and explanations given to us, no material discrepancies between the book records and physical inventory were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, no substantial part of the fixed assets has been disposed off by the Company during the year.
- (ii) (a) As per the information furnished, the inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, paragraphs iii(b), iii(c) and iii(d) of the said Order are not applicable.
- (b) The Company has taken unsecured loans by way of fixed deposits from 3 parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balances of such loans were Rs. 45.30 lacs and Rs. 17.30 lacs, respectively.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which such loans have been taken by the Company are, prima facie, not prejudicial to the interest of the Company.
- (d) The Company is regular in repayment of principal amount and interest thereon as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of special nature and suitable alternate sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) (a) According to the information and explanations given to us, 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 and having regard to what is stated in para (iv) above, the transactions made in pursuance of such contracts or arrangements aggregating during the year to Rs. 5,00,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Order of the Central Government under Section 209(1)(d) of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given and 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, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company with the appropriate authorities. No undisputed amounts payable in respect of

GTN INDUSTRIES LIMITED**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2012. (contd.)**

the aforesaid statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited on account of any dispute except dues on account of the following which are being contested by the Company:

S. No.	Nature of the Dues	Amount (Rs. in lacs)	Year	Forum where the dispute is pending
1.	Duty Drawback	18.69	1998-99	Madras High Court
2.	CENVAT Claim	2.68	2010-11	CESTAT, Bangalore
3.	Cess on Captive Power Generation	21.43	2004-05 to 2011-12	Andhra Pradesh High Court
4.	Sales Tax	2.56	2002-03 and 2003-04	Appellate Deputy Commissioner, Nagpur
5.	Agricultural Marketing Cess	13.75	2010-11	Andhra Pradesh High Court

- x) The Company does not have any accumulated losses as at 31st March, 2012 and it has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the nature of the activities of the Company does not attract any special statute applicable to the chit fund and nidhi / mutual benefit fund / societies.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us and in our opinion, the term loans were applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Cash Flow Statement and Balance Sheet of the Company, in our opinion, the funds raised on short-term basis have, prima facie, not been used for long term investment.
- (xviii) During the year the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Act.
- (xix) The Company does not have any outstanding debentures during the year or in the recent past.
- (xx) The Company has not raised any money by way of public issues during the year or in the recent past.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

For LODHA & CO.,
Chartered Accountants

A.M. Hariharan
Partner

Place : Mumbai
Date : 24th May, 2012

Firm Registration No.: 301051E
M. No.: 38323

BALANCE SHEET AS AT 31ST MARCH, 2012

	NOTE	31 st March, 2012 (Rs. in Lacs)	31 st March, 2011 (Rs. in Lacs)
I. EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	1754.96	1754.96
Reserves and Surplus	2	2521.84	3451.41
Non-Current Liabilities			
Long Term Borrowings	3	10912.54	11995.82
Deferred Tax Liabilities (Net)	4	1065.33	1660.13
Current Liabilities			
Short Term Borrowings	5	7052.65	7039.70
Trade Payables	6	3388.27	3330.27
Other Current Liabilities	7	2105.98	2327.32
Short Term Provisions	8	187.98	254.63
	TOTAL	28989.55	31814.24
II. ASSETS			
Non-Current Assets			
Fixed Assets	9		
Tangible Assets		15147.77	15322.27
Assets held for Disposal		9.69	11.29
Intangible Assets		5.09	10.19
Capital Work-in-Progress		1.05	410.12
Non-Current Investments	10	0.05	0.05
Long Term Loans and Advances	11	315.47	422.70
Current Assets			
Inventories	12	8899.33	9282.36
Trade Receivables	13	1919.70	3036.17
Cash and Bank Balances	14	819.33	1034.40
Short-term Loans and Advances	15	1054.89	1287.23
Other Current Assets	16	817.18	997.46
	TOTAL	28989.55	31814.24
Significant accounting policies and notes on financial statements	1-25		
Notes 1 to 16 and 25 form an integral part of the Balance Sheet			

As per our attached report of even date
For **LODHA & CO.,**
Chartered Accountants

C.R. GANG
Chief Financial Officer

A.M. HARIHARAN
Partner

P. PRABHAKARA RAO
Company Secretary

Place : Mumbai
Date : 24th May, 2012

Place : Hyderabad
Date : 24th May, 2012

For and on behalf of the Board

M.K. PATODIA
Chairman & Managing Director

ANJANA PATODIA

M.R. VIKRAM

SANJAY PANICKER

} Directors

GTN INDUSTRIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	NOTE	For the Year Ended 31 st March, 2012 (Rs. in Lacs)		For the Year Ended 31 st March, 2011 (Rs. in Lacs)	
I. REVENUE FROM OPERATIONS	17		38018.48		39912.18
II. OTHER INCOME	18		187.90		90.13
III. TOTAL REVENUE (I+II)			<u>38206.38</u>		<u>40002.31</u>
IV. EXPENSES					
Cost of Materials Consumed	19		19016.54		14566.62
Purchases of Stock-in-Trade	20		7119.99		11165.29
Changes in Inventories of Finished Goods, Work-in-Process and Stock-in-Trade	21		75.24		(646.14)
Employee Benefits Expense	22		2764.50		2487.51
Finance Costs	23		1701.75		1965.35
Depreciation and Amortisation Expense		1573.11		1554.75	
Less: Transfer from Revaluation reserve		10.43	1562.68	8.45	1546.30
Other Expenses	24		7478.87		7147.86
TOTAL EXPENSES			<u>39719.57</u>		<u>38232.79</u>
V. PROFIT/(LOSS) BEFORE TAX (III-IV)			(1513.19)		1769.52
VI. TAX EXPENSES					
Current Tax (MAT)			-		375.00
Mat Credit Entitlement			-		(359.00)
Deferred Tax			(594.80)		802.59
Tax in respect of Earlier Years			-		(0.11)
VII. PROFIT/(LOSS) FOR THE YEAR			<u>(918.39)</u>		<u>951.04</u>
VIII. Earnings per Equity Share of face value of Rs 10 each. Basic & Diluted (in Rupees)			(5.24)		5.63
Significant accounting policies and notes on financial statements	1-25				
Notes 17 to 25 form an intergral part of the Statement of Profit & Loss					

As per our attached report of even date
For **LODHA & CO.,**
Chartered Accountants

C.R. GANG
Chief Financial Officer

A.M. HARIHARAN
Partner

P. PRABHAKARA RAO
Company Secretary

Place : Mumbai
Date : 24th May, 2012

Place : Hyderabad
Date : 24th May, 2012

For and on behalf of the Board

M.K. PATODIA
Chairman & Managing Director

ANJANA PATODIA

M.R. VIKRAM

SANJAY PANICKER

} Directors

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

1 SHAREHOLDERS' FUNDS	As at 31 st March, 2012		As at 31 st March, 2011	
	Number	(Rs. in Lacs)	Number	(Rs. in Lacs)
SHARE CAPITAL				
AUTHORISED				
Equity Shares of Rs. 10 each	20000000	2000.00	20000000	2000.00
Redeemable Preference Shares of Rs. 100 each	3500000	3500.00	3500000	3500.00
		<u>5500.00</u>		<u>5500.00</u>
ISSUED SHARE CAPITAL				
Equity Shares of Rs. 10 each	17558778	1755.88	17558778	1755.88
SUBSCRIBED & FULLY PAID SHARE CAPITAL				
Equity Shares of Rs. 10 each	17558778	1755.88	17558778	1755.88
Less : Forfeited Shares (Equity Shares of Rs. 10 each; paid thereon Rs.5)	18400	0.92	18400	0.92
TOTAL	<u>17540378</u>	<u>1754.96</u>	<u>17540378</u>	<u>1754.96</u>

The Company has only one class of shares referred to as Equity Shares having a par value of Rs.10. Each holder of Equity Shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of Equity Shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential and other payables exist currently. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

- a) The reconciliation of the number of shares outstanding is set out below :

Particulars	As at 31 st March, 2012		As at 31 st March, 2011	
	Number	(Rs. in Lacs)	Number	(Rs. in Lacs)
Shares at the beginning of the year	17540378	1754.96	11540378	1154.96
Add : Shares issued on preferential basis	-	-	6000000	600.00
Shares outstanding at the end of the year	17540378	1754.96	17540378	1754.96

- b) The Company has been sanctioned Debt Restructuring Scheme by CDR-EG. As per the Scheme promoters have pledged 6677100 Equity Shares to lenders with Voting Rights which is equivalent to 51% of their shareholding.

- c) The details of shareholders holding more than 5% shares :

Name of Shareholder	As at 31 st March, 2012		As at 31 st March, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Emkaypee Investments Private Limited	2630574	15.00%	2630574	15.00%
Mahendra Kumar Patodia	1986713	11.33%	1986713	11.33%
Mahendra Kumar Patodia (HUF)	1112104	6.34%	1112104	6.34%
JEL Finance and Investments Limited	4800000	27.37%	4800000	27.37%
GTN Engineering (India) Limited	1365585	7.79%	1365585	7.79%

GTN INDUSTRIES LIMITED

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

	As at 31 st March, 2012 (Rs. in Lacs)	As at 31 st March, 2011 (Rs. in Lacs)
2 SHAREHOLDERS' FUNDS		
RESERVES & SURPLUS		
a) SECURITIES PREMIUM ACCOUNT		
As per last Balance Sheet	1112.08	962.08
Add : On issue of Equity Shares	<u>-</u>	<u>150.00</u>
	1112.08	1112.08
b) REVALUATION RESERVE		
As per last Balance Sheet	48.94	60.02
Less : Transfer to Statement of Profit & Loss	10.43	8.45
Less : Withdrawals on Fixed Assets sold/discarded	<u>0.75</u>	<u>2.63</u>
	37.76	48.94
c) GENERAL RESERVE		
As per last Balance Sheet	717.86	717.86
d) AMALGAMATION RESERVE		
As per last Balance Sheet	621.49	621.49
e) SURPLUS		
As per last Balance Sheet	951.04	-
Add : Net Profit/(Net Loss) for the current year	<u>(918.39)</u>	<u>951.04</u>
	32.65	951.04
TOTAL	<u>2521.84</u>	<u>3451.41</u>
3 NON CURRENT LIABILITIES		
LONG TERM BORROWINGS		
a) SECURED		
Term loans		
- from Banks	6349.88	6853.61
- from Others	3579.02	4129.92
(i) Term loans are secured by first charge on immovable assets, both present and future, by way of equitable mortgage and hypothecation of movable fixed assets of the Company (excluding assets purchased on exclusive charge basis (refer Note (ii) below) and further secured by way of a second charge, on the current assets as mentioned in Note 5 below, present and future, ranking paripassu, inter-se among the term lenders. These loans are further guaranteed personally by the Managing Director and also secured by pledge of Equity Shares to the extent of 51% of Promoter's holding. Term loans are repayable in quarterly/half yearly installments. Interest Rate for the loans taken from Banks and others is ranging between 10% to 15% and 8% to 14%, respectively.		
(ii) One of the Term Loans amounting to Rs. 1240 lacs (Previous year Rs.570 lacs) availed from a Bank is secured on exclusive charge basis on the specific machinery financed out of the said loan. The said term loan is repayable in quarterly installments and applicable rate of Interest is 14.75%		
b) Other loans and advances -Hire purchase loan	-	0.82
Hire Purchase loan is secured by Hypothecation of vehicle purchased there against.		
UNSECURED		
DEFERRED PAYMENT LIABILITIES		
Sales Tax Deferment Loan	983.64	1011.47
(Interest free, repayable by Aug, 2023)		
TOTAL	<u>10912.54</u>	<u>11995.82</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 ST MARCH, 2012 (Contd.)		
	As at 31 st March, 2012 (Rs. in Lacs)	As at 31 st March, 2011 (Rs. in Lacs)
4 DEFERRED TAX LIABILITIES (NET)		
DEFERRED TAX LIABILITY		
Depreciation	2402.06	2487.99
Misc Expenditure- Voluntary Retirement Scheme	19.43	15.67
DEFERRED TAX ASSET		
Unabsorbed Depreciation/Business Losses	(1356.16)	(843.53)
TOTAL	<u>1065.33</u>	<u>1660.13</u>
5 CURRENT LIABILITIES		
SHORT TERM BORROWINGS		
SECURED		
WORKING CAPITAL LOANS	6987.95	6936.50
Working capital loans stated above and Non-fund based limits of Rs. 2234.42 lacs (Previous Year Rs. 2074.21 lacs) are secured by a first charge by way of hypothecation of current assets of the Company, both present and future and by way of second charge on the fixed assets mentioned in Note 3(a) (i) and 3(a)(ii) above, ranking paripassu, inter-se among working capital banks. These loans/Non-fund based facilities are further guaranteed by Managing Director and also secured by pledge of equity shares to the extent of 51% of promoters' holding. Rate of interest on Packing Credit in Foreign Currency Loan and Rupee Working Capital Loan is ranging between 3% to 4% and 12% to 14% , respectively.		
UNSECURED		
Public Deposits		
from Directors	3.40	2.90
from Others	61.30	100.30
TOTAL	<u>7052.65</u>	<u>7039.70</u>
6 CURRENT LIABILITIES		
TRADE PAYABLES		
Micro, Small and Medium Enterprises*	-	-
Others	3388.27	3330.27
TOTAL	<u>3388.27</u>	<u>3330.27</u>
(*Refer Note No. 25 B (6))		
7 CURRENT LIABILITIES		
OTHER CURRENT LIABILITIES		
a) Current maturities of long-term debts		
Term Loan - from Banks	1260.21	1001.84
from Others	550.90	549.69
Sales Tax Deferment Loan	27.83	12.74
b) Unclaimed Dividends	9.51	13.99
c) Other Payables		
Statutory Dues	144.11	182.43
Advances from customers	93.98	539.68
Interest accrued but not due on loans	19.44	26.95
TOTAL	<u>2105.98</u>	<u>2327.32</u>
8 CURRENT LIABILITIES		
SHORT TERM PROVISIONS		
a) Provision for Employee Benefits		
Compensated Absences	25.51	42.68
Gratuity	107.46	103.61
b) Others		
Provision for Tax (Net of Advance Tax and TDS of Rs.113.63 lacs; Previous Year Rs.266.90 lacs)	54.60	108.10
Provision for Wealth Tax	0.41	0.24
TOTAL	<u>187.98</u>	<u>254.63</u>

GTN INDUSTRIES LIMITED

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

9 NON CURRENT ASSETS										
FIXED ASSETS										
(Rs. in Lacs)										
FIXED ASSETS	GROSS BLOCK (AT COST OR BOOK VALUE)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2011	Additions	Deductions/ Adjustments	As at 31.03.2012	As at 01.04.2011	For the year	Deductions/ Adjustments	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
(a) Tangible Assets										
Land- Freehold	88.16	4.42	1.70	90.88	-	-	-	-	90.88	88.16
Buildings	5409.92	85.58	42.28	5453.22	2525.36	181.35	9.03	2697.68	2755.54	2884.56
Plant and Equipment	23124.43	1305.84	98.79	24331.48	11739.46	1255.67	82.43	12912.70	11418.78	11384.97
Electrical Installations	2017.45	10.24	-	2027.69	1203.03	101.79	-	1304.82	722.87	814.42
Furniture and Fixtures	245.69	11.94	11.01	246.62	159.08	13.23	7.10	165.21	81.41	86.61
Vehicles	185.62	37.61	36.22	187.01	122.07	15.97	29.32	108.72	78.29	63.55
Total	31071.27	1455.63	190.00	32336.90	15749.00	1568.01	127.88	17189.13	15147.77	15322.27
(b) Intangible Assets										
Software	254.39	-	-	254.39	244.20	5.10	-	249.30	5.09	10.19
Total	254.39	-	-	254.39	244.20	5.10	-	249.30	5.09	10.19
Total (a) + (b)	31325.66	1455.63	190.00	32591.29	15993.20	1573.11	127.88	17438.43	15152.86	15332.46
Previous Year	31257.04	1087.58	1018.96	31325.66	15210.67	1554.75	772.22	15993.20	15332.46	-
(c) Capital Work- In - Progress :										
Plant and Equipment under Installation									1.05	410.12
10 NON - CURRENT ASSETS									As at 31st March, 2012 (Rs. in Lacs)	As at 31st March, 2011 (Rs. in Lacs)
NON - CURRENT INVESTMENTS										
NON-TRADE INVESTMENTS (LONG TERM)										
In Government Securities (Unquoted)										
6% National Savings Certificates*									<u>0.05</u>	<u>0.05</u>
TOTAL									<u>0.05</u>	<u>0.05</u>
*Pledged with Sales Tax Authorities										
11 NON - CURRENT ASSETS										
LONG TERM LOANS AND ADVANCES										
UNSECURED, CONSIDERED GOOD										
a) Capital Advances									21.47	188.70
b) Security Deposits										
Electricity Deposit									266.73	207.57
Others									21.28	21.11
c) Other Loans and Advances										
Prepaid Expenses									5.99	<u>5.32</u>
TOTAL									<u>315.47</u>	<u>422.70</u>
12 CURRENT ASSETS										
INVENTORIES										
Raw Materials									5108.15	5397.04
Work-in-Process									940.66	1038.87
Finished Goods									2482.15	2423.46
Traded Goods									156.25	193.10
Waste Stock									45.44	44.31
Stores and Spares									166.68	<u>185.58</u>
TOTAL									<u>8899.33</u>	<u>9282.36</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)		
	As at 31st March, 2012 (Rs. in Lacs)	As at 31st March, 2011 (Rs. in Lacs)
13 CURRENT ASSETS		
TRADE RECEIVABLES		
Over Six months		
Unsecured, considered good	29.37	268.14
Unsecured, considered doubtful	17.15	19.03
Less: Provision for Doubtful Debts	17.15	19.03
	29.37	268.14
Others		
Unsecured, considered good	1890.33	2768.03
TOTAL	1919.70	3036.17
14 CURRENT ASSETS		
CASH AND BANK BALANCES		
Cash and Cash Equivalents		
a) Balances with Banks		
In Current Accounts	60.83	450.55
In Unpaid Dividend Accounts	9.51	13.99
In Cash on hand	8.57	4.89
b) Others		
i) Deposits with original maturity of less than 12 months	37.26	36.67
ii) Margin Money Deposits	703.16	528.30
TOTAL	819.33	1034.40
15 CURRENT ASSETS		
SHORT TERM LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received :		
Advances to Suppliers	36.53	40.75
Other Advances	1018.36	1246.48
TOTAL	1054.89	1287.23
16 CURRENT ASSETS		
OTHER CURRENT ASSETS		
a) Export Incentive Receivable	230.74	87.71
b) Interest Rebate Receivable	229.97	388.30
c) Interest accrued on Deposits/Investments	32.74	23.31
d) Excise / Service Tax receivable	323.73	498.14
TOTAL	817.18	997.46

GTN INDUSTRIES LIMITED

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

	For the Year Ended 31 st March, 2012 (Rs. in Lacs)	For the Year Ended 31 st March, 2011 (Rs. in Lacs)
17 REVENUE FROM OPERATIONS		
Sale of products		
i) Manufactured Goods	27526.17	26186.98
ii) Traded Goods	7810.00	12414.42
Other operating revenues		
i) Export Incentives	1172.23	129.71
ii) Waste Sales	1510.08	1181.07
TOTAL	<u>38018.48</u>	<u>39912.18</u>
18 OTHER INCOME		
Interest Income	85.50	53.05
Foreign Exchange Gain (Net)	-	0.88
Profit on disposal of Fixed Assets (Net)	38.66	-
Insurance Claims Received	19.37	8.43
Provision for expenses no longer required written back (Net)	31.11	12.31
Miscellaneous Income	13.26	15.46
TOTAL	<u>187.90</u>	<u>90.13</u>
19 COST OF MATERIALS CONSUMED		
Opening Stock	5397.04	3251.53
Add: Purchases	18727.65	16712.13
Less: Closing Stock	5108.15	5397.04
TOTAL	<u>19016.54</u>	<u>14566.62</u>
Particulars of Materials Consumed		
Cotton	15177.54	10172.75
Yarn	3839.00	4393.87
TOTAL	<u>19016.54</u>	<u>14566.62</u>
20 PURCHASES OF STOCK IN TRADE		
Cotton Yarn	<u>7119.99</u>	<u>11165.29</u>
21 CHANGES IN INVENTORY		
Opening Stock:		
Finished Goods	2616.56	1982.75
Work in Process	1038.87	1055.87
Waste Stock	44.31	14.98
	<u>3699.74</u>	<u>3053.60</u>
Closing Stock		
Finished Goods	2638.40	2616.56
Work in Process	940.66	1038.87
Waste Stock	45.44	44.31
	<u>3624.50</u>	<u>3699.74</u>
TOTAL	<u>75.24</u>	<u>(646.14)</u>

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)		
	For the Year Ended 31st March, 2012 (Rs. in Lacs)	For the Year Ended 31st March, 2011 (Rs. in Lacs)
22 EMPLOYEE BENEFITS EXPENSE		
a) Salaries and Incentives	2382.42	2122.69
b) Contributions to Provident and Other Funds	237.63	205.23
c) Staff Welfare Expenses	144.45	159.59
TOTAL	<u>2764.50</u>	<u>2487.51</u>
23 FINANCE COST		
Interest Expense	1667.89	1880.71
Other Borrowing Costs	33.86	84.64
TOTAL	<u>1701.75</u>	<u>1965.35</u>
24 OTHER EXPENSES		
MANUFACTURING EXPENSES		
Consumption of Stores and Spare Parts	1660.08	1580.97
Power and Fuel	3097.79	2653.91
Processing Charges	70.53	43.08
Other Manufacturing and Operating Expenses	100.04	82.19
Repairs to Buildings	103.37	101.75
Repairs to Machinery	274.25	203.45
SUBTOTAL	<u>5306.06</u>	<u>4665.35</u>
ADMINISTRATION AND OTHER EXPENSES		
Rent	9.63	8.43
Insurance	93.11	73.41
Rates and Taxes, excluding taxes on income	56.03	84.89
Advertisement	4.28	7.29
Commission to Selling Agents	561.56	588.42
Freight Forwarding and Other Expenses	841.10	965.11
Legal & Professional Charges	38.10	44.04
Donation	0.54	0.55
Payment to Auditors*	9.17	9.92
Miscellaneous Expenses	559.29	700.45
SUBTOTAL	<u>2172.81</u>	<u>2482.51</u>
TOTAL	<u>7478.87</u>	<u>7147.86</u>
* PAYMENTS TO AUDITORS		
- for Statutory Audit	4.00	4.00
- for Tax Audit	0.75	0.75
- for Other Services	2.99	3.76
- for Out of Pocket Expenses	1.43	1.41
TOTAL	<u>9.17</u>	<u>9.92</u>

GTN INDUSTRIES LIMITED

NOTES FORMING PART OF ACCOUNTS

Note 25

A) SIGNIFICANT ACCOUNTING POLICIES

1) GENERAL

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

2) FIXED ASSETS

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

3) INVESTMENTS

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

4) INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost of raw material is computed by using "Specific Identification" method and for other inventories "Weighted Average" method.

The cost in case of finished goods includes cost of purchase, cost of conversion and other costs (on the basis of normal operating capacity) incurred in bringing the inventories to their present location and condition.

5) SALES

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

6) BORROWING COST

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

7) DEPRECIATION

Depreciation is provided at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Plant & Machinery and Electrical Installations have been, on technical assessment, considered as continuous process plants as defined in the said Schedule and depreciation has been provided accordingly.

Depreciation in respect of various units is provided as below:

- a) MEDAK SPINNING UNIT: Depreciation on Plant & Machinery and Electrical Installations (including revalued assets) installed upto 31st March, 1992 has been charged under Written Down Value Method and on additions thereafter under Straight Line Method. In respect of other assets (including revalued assets) depreciation has been charged under Written Down Value Method.

NOTES FORMING PART OF ACCOUNTS (contd.)

- b) MEDAK DOUBLING UNIT: Depreciation is provided on Written Down Value Method.
- c) Other Units (Nagpur Spinning Unit, Shadnagar Yarn Processing Unit and Knitting Unit): Depreciation is provided on Straight Line Method.

8) EMPLOYEE BENEFITS**a) Provident Fund**

Provident Fund is a defined contribution scheme and the contributions are charged to Statement of Profit and Loss as incurred.

b) Superannuation

Superannuation is a defined contribution plan and contribution is made to Life Insurance Corporation of India for eligible employees who have opted for the same as a percentage of salaries. The Company has no further obligations to the scheme beyond its monthly / annual contributions.

c) Gratuity

Gratuity is a defined retirement benefit plan. The Company contributes to the Scheme with Life Insurance Corporation of India based on actuarial valuation done by them as at the close of the financial year.

- d) The employees are entitled to accumulate leave as per the rules of the Company for future encashment / availment. Liability for leave encashment is provided for on the basis of the such eligible leaves at the close of the year.

9) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the rate of exchange in force at the date of transactions. Gains and losses resulting from settlement of such transactions and from the transaction of monetary assets and liabilities denominated in foreign currencies are recognised in Statement of Profit and Loss. Premium in respect of forward foreign exchange contract is recognised over the life of the contracts. In respect of Derivative Contracts, premium paid, provision for losses on restatement and gains/ losses on settlement are recognised alongwith the underlying transactions and charged to Statement of Profit and Loss.

10) TAXATION

Income tax expenses comprise current tax (i.e., amount of tax for the year determined in accordance with the income tax law) and deferred tax charges or credit (reflecting the tax effects of timing differences between accounting income and taxable income of the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax on assets are recognised and carried forward only if there is a virtual / reasonable certainty of realisation of such assets in near future and are reviewed for their appropriateness of their respective carrying value at each Balance Sheet date. Tax credit is recognised in respect of Minimum Alternate Tax (MAT) paid in terms of Section 115JAA of the Income Tax Act, 1961 based on convincing evidence that the Company will pay normal tax within the statutory time frame and the same is reviewed at each Balance Sheet date.

11) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities are disclosed in the notes to accounts and are determined based on the management perception that these liabilities are not likely to materialise. Contingent assets are not recognised or disclosed in the financial statements.

B) OTHER NOTES

- 1) a) In the opinion of the Board, all the assets other than Non-current assets have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all other known liabilities is adequate and not in excess of the amount reasonably necessary.
- b) Balances in Trade Payables, Trade Receivables and Short Term Loans and Advances are subject to confirmations, reconciliation and adjustments. In the opinion of the Management, adjustments, if any, on such confirmations/reconciliations will not have material impact on the Loss for the year.

GTN INDUSTRIES LIMITED

NOTES FORMING PART OF ACCOUNTS(Contd.)

- 2) a) Contingent Liabilities and commitments (to the extent not provided for):
- i) Contingent Liabilities :
- Disputed Drawback and Excise Duty (excluding interest): Rs.22.04 lacs (Previous Year Rs. 22.04 lacs)
 - Disputed Income Tax Matters Rs. 353.14 lacs (Previous Year Rs. 441.25 lacs)
 - Others: Rs.105.32 lacs (Previous Year Rs. 88.39 lacs).
- ii) Commitments
- Estimated amount of contracts remaining to be executed on capital account and are not provided for: Rs. 241.51 lacs (Previous Year Rs. 525.08 lacs); net of advances of Rs. 21.47 lacs (Previous Year Rs. 188.70 lacs).
- b) The Company uses Forward Exchange Contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company does not enter into any such instruments for trading or speculative purposes.
- i) The following are the contracts entered into by the Company and outstanding at the year end:

Forward Exchange Contracts outstanding:

Particulars	31 st March, 2012	31 st March, 2011
No. of Contracts	12	17
Type	Sell	Sell
US \$ Equivalent (Lacs)	27.05	55.56
INR Equivalent(Lacs)	1366.34	2541.59

- ii) The year end foreign currency exposures that have not been hedged are given below:
- I. Amounts receivable in foreign currency on account of the following :

Particulars	31 st March, 2012			31 st March, 2011		
	Currency	Equivalent (Lacs)	INR Equivalent (Lacs)	Currency	Equivalent (Lacs)	INR Equivalent (Lacs)
Loans & Advances	USD	0.61	31.28	USD	-	-
	EURO	0.05	3.24	EURO	0.004	0.24
	CHF	-	-	CHF	0.11	5.58

- II. Amounts payable in foreign currency on account of the following :

Particulars	31 st March, 2012			31 st March, 2011		
	Currency	FC Amount (Lacs)	Rupee Equivalent (Lacs)	Currency	FC Amount (Lacs)	Rupee Equivalent (Lacs)
Purchase of goods/services	USD	25.87	1324.89	USD	18.47	825.69
	EURO	0.05	3.24	EURO	11.14	703.76
Loans payable (PCFC)	USD	36.86	1887.89	USD	20.08	897.87

- 3) Value of Imports on C.I.F. basis in respect of :

(Rs. in Lacs)

Particulars	For the Year Ended 31 st March, 2012	For the Year Ended 31 st March, 2011
Raw Materials - Cotton	7528.99	2804.88
Components and spare parts	83.38	114.55
Capital Goods	361.18	789.54
TOTAL	<u>7973.55</u>	<u>3708.97</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

4) (a) Expenditure in Foreign Currency on account of:

(Rs. in Lacs)

Particulars	For the Year Ended 31 st March, 2012	For the Year Ended 31 st March, 2011
Agents' Commission	359.90	245.86
Others	51.27	28.21
TOTAL	<u>411.17</u>	<u>274.07</u>

(b) Earnings in Foreign Exchange:

(Rs. in Lacs)

Particulars	For the Year Ended 31 st March, 2012	For the Year Ended 31 st March, 2011
Export of goods calculated on FOB basis	21327.03	23054.11

5) Earnings Per Share :

(Rs. in Lacs)

Particulars		31 st March, 2012	31 st March, 2011
Numerator :			
Net Profit/(Loss) as disclosed in Statement of Profit & Loss		(918.39)	951.04
Net Profit/(Loss) attributable to the Equity Shareholders		(918.39)	951.04
Denominator :			
Weighted average No. of Equity Shares	Nos.	17540378	16899282
Basic and diluted Earnings Per Share (face value of Rs.10 each) Before / After Exceptional Items	Rs.	(5.24)	5.63

6) The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/payable as required under the said Act has not been given.

7) Imported and Indigenous Materials Consumed :

Particulars	For the Year Ended 31 st March, 2012		For the Year Ended 31 st March, 2011	
	Rs. in Lacs	%	Rs. in Lacs	%
Raw Materials:				
Imported	4568.25	24.02	3025.15	20.77
Indigenous	14448.29	75.98	11541.47	79.23
TOTAL	<u>19016.54</u>	<u>100.00</u>	<u>14566.62</u>	<u>100.00</u>
Components and Spare Parts				
Imported	107.03	5.66	92.68	5.34
Indigenous	1783.19	94.34	1643.53	94.66
TOTAL	<u>1890.22</u>	<u>100.00</u>	<u>1736.21</u>	<u>100.00</u>

8) Disclosure in respect of Related Parties pursuant to Accounting Standard 18:

(A) LIST OF RELATED PARTIES:

Related parties with whom company entered into transactions during the year:

(i) Associates

Perfect Knitters Limited
Imperial Garments Limited
Purav Trading Limited

(ii) **Key Management Personnel and Enterprises (Having Common Key Management Personnel or their Relatives)**

Key Management Personnel

Shri M.K.Patodia-Chairman & Managing Director

GTN INDUSTRIES LIMITED

NOTES FORMING PART OF ACCOUNTS (contd.)

Enterprises / Entities having common Key Management Personnel

Patcot Company
Perfect Cotton Co.
Standard Cotton Corporation

iii) **Relatives of Key Management Personnel and their entities**

Smt. Bimla Devi Chowdhary-Sister
Smt. Sharada Devi Chowdhary-Sister
Madanlal Purusottam Das (HUF)

B) During the year, following transactions were carried out with related parties at arms length:

(Rs. in Lacs)

S. No.	Nature of Transactions	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
1.	Sales, Service and other income Perfect Knitters Limited	142.58 (289.42)	- (-)	- (-)
	Imperial Garments Limited	522.82 (844.32)	- (-)	- (-)
	Total	665.40 (1133.74)	- (-)	- (-)
2.	Purchase of Goods and Services Purav Trading Limited	13.88 (755.13)	- (-)	- (-)
	Patcot Company	- (-)	- (-)	128.26 (0.23)
	Imperial Garments Limited	0.21 (15.20)	- (-)	- (-)
	Perfect Cotton Co.	- (-)	- (-)	58.90 (-)
	Standard Cotton Corporation	- (-)	- (-)	409.68 (-)
	Perfect Knitters Limited	3.59 (-)	- (-)	- (-)
	Total	17.68 (770.33)	- (-)	596.84 (0.23)
3.	Interest Paid on Fixed Deposits: Mr. M.K.Patodia	- (-)	- (1.12)	- (-)
	Mahendra Patodia (HUF)	- (-)	- (-)	- (1.12)
	Smt. Sharada Devi Chowdhary	- (-)	- (-)	0.70 (0.70)
	Madanlal Purusottam Das (HUF)	- (-)	- (-)	1.16 (2.66)
	Smt. Bimla Devi Chowdhary	- (-)	- (-)	0.95 (0.94)
	Total	- (-)	- (1.12)	2.81 (5.42)
4.	Managerial Remuneration : Mr. M.K. Patodia	- (-)	19.66 (16.83)	- (-)

NOTES FORMING PART OF ACCOUNTS (contd.)

(Rs. in Lacs)

S. No.	Nature of Transactions	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
5.	Fixed Deposits taken:			
	Madanlal Purusottam Das (HUF)	-	-	-
		(-)	(-)	(6.00)
	Smt. Sharada Devi Chowdhary	-	-	4.30
		(-)	(-)	(3.00)
	Smt. Bimla Devi Chowdhary	-	-	-
		(-)	(-)	(10.00)
	Total	<u>-</u>	<u>-</u>	<u>4.30</u>
		(-)	(-)	(19.00)
6.	Fixed Deposits Repaid:			
	Mr. M.K.Patodia	-	-	-
		(-)	(50.00)	(-)
	Mahendra Patodia (HUF)	-	-	-
		(-)	(-)	(50.00)
	Madanlan Purusottam Das (HUF)	-	-	28.00
		(-)	(-)	(6.00)
	Smt. Sharada Devi Chowdhary	-	-	4.30
		(-)	(-)	(2.50)
	Smt. Bimla Devi Chowdhary	-	-	-
		(-)	(-)	(10.00)
	Rajendra Patodia(HUF)	-	-	-
		(-)	(-)	(7.25)
	Total	<u>-</u>	<u>-</u>	<u>32.30</u>
		(-)	(50.00)	(75.75)

C) Outstanding Balances as on 31st March, 2012

(Rs. in Lacs)

S. No.	Particulars	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
1.	In respect of Sales, Service and other income:			
	Perfect Knitters Limited	68.32	-	-
		(398.23)	(-)	(-)
	Imperial Garments Limited	319.15	-	-
		(440.28)	(-)	(-)
	Total	<u>387.47</u>	<u>-</u>	<u>-</u>
		(838.51)	(-)	(-)
2.	Loans Received (Fixed Deposits) :			
	Mr. M.K.Patodia	-	-	-
		(-)	(50.00)	(-)
	Madanlal Purusottam Das (HUF)	-	-	-
		(-)	(-)	(28.00)
	Smt. Sharada Devi Chowdhary	-	-	7.30
		(-)	(-)	(7.30)
	Smt. Bimla Devi Chowdhary	-	-	10.00
		(-)	(-)	(10.00)
	Total	<u>-</u>	<u>-</u>	<u>17.30</u>
		(-)	(50.00)	(45.30)
3.	Guarantees given by : Mr.M.K.Patodia	-	19722.38	-
		(-)	(20977.41)	(-)

Notes:

1. No amounts in respect of related parties have been written off /written back during the year.
2. Figures in bracket represent previous year's figures.
3. Related parties are as identified by the management and relied upon by the auditors.

GTN INDUSTRIES LIMITED

NOTES FORMING PART OF ACCOUNTS (Contd.)

9) Employee benefit Plans

1. The following table set out the status of the Gratuity plan as required under AS 15 :
Reconciliation of Benefit Obligations and Planned Assets :

(Rs. in Lacs)		
Particulars	As at 31st March, 2012	As at 31st March, 2011
1 Change in Defined Obligation		
Obligation at the beginning of the year	320.03	283.60
Interest cost	25.60	22.69
Current Service cost	20.81	19.86
Benefits paid	19.40	19.55
Actuarial (gain)/loss in obligations	23.80	13.43
Obligation at year end	370.84	320.03
2 Change in Fair Value of Planned Assets		
Fair value of planned assets at the beginning of the year	216.42	200.42
Expected return on the planned assets	21.71	18.42
Contributions by the employer	44.65	17.13
Benefits paid	19.40	19.55
Actuarial gain/(loss) on planned assets	-	-
Fair value of planned assets at year end	263.38	216.42
3 Reconciliation or Present Value of the obligation and the Fair Value of the Planned Assets		
Liability at year end	370.84	320.03
Fair value of planned assets at year end	263.38	216.42
Liability recognised in the Balance Sheet	107.46	103.61
4 Assumptions		
(a) Discount Rate	8%	8%
(b) Expected Rate on Return on Planned Assets	8%	8%
(c) Salary Escalation Rate	4% to 6%	4% to 6%

With respect to compensated absences (leave entitlements), liability recognised in the Balance Sheet as on March 31, 2012 is Rs 25.51 lacs (Previous Year Rs.42.68 lacs).

- 10)** In terms of Accounting Standard 17, the Company operates materially only in one business segment viz., yarn and has its production facilities and all other assets located in India. Sales to external customers comprise export sales of Rs. 21767.61 lacs (Previous Year Rs. 23957.97 lacs) and local sales of Rs. 14948.07 lacs (Previous Year Rs. 15681.69 lacs).
- 11)** a) Certain Land, Buildings, Plant & Machinery and Electrical Installations were revalued as on 31st March 1993 on the basis of reports of approved valuer on market value / replacement cost basis using standard indices after considering the obsolescence and age of individual assets.
- b) The revalued amounts (net of withdrawals) remaining substituted for the historical cost in the gross block of fixed assets are:

(Rs. in Lacs)		
Particulars	As at 31st March, 2012	As at 31st March, 2011
Land	14.62	14.62
Buildings	407.46	407.46
Plant & Machinery	1257.76	1299.94
Electrical Installations	168.60	168.60

NOTES FORMING PART OF ACCOUNTS (Contd.)

- 12) Loans and Advances in the nature of loans to Employees (Disclosure pursuant to clause 32 of the Listing Agreement).

Name	Rate of Interest	Amount outstanding		No. of Equity Shares held in the Company	
		As on 31 st March, 2012	Maximum outstanding during the Year	As on 31 st March, 2012	Maximum during the Year
Employees (as per the general policy of the company)	NIL (NIL)	11.95 (9.55)	25.19 (18.30)	- (-)	- (-)

Note : Figures in the brackets represent previous year's figures.

- 13) The Company was using pre revised Schedule VI to the Companies Act, 1956 for the preparation and presentation of its financial statements upto the year ended 31st March, 2011. During the year ended 31st March, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification.

For and on behalf of the Board**M.K. PATODIA**

Chairman & Managing Director

ANJANA PATODIA**M.R. VIKRAM****SANJAY PANICKER**

} Directors

C.R. GANG

Chief Financial Officer

P. PRABHAKARA RAO

Company Secretary

Place : Hyderabad

Date : 24th May, 2012

GTN INDUSTRIES LIMITED

CASH FLOW STATEMENT	Year Ended 31st March, 2012 (Rs. in Lacs)	Year Ended 31st March, 2011 (Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT/(LOSS) BEFORE TAX	(1513.19)	1769.52
Adjustments for:		
Depreciation	1562.68	1546.30
Interest Charged	1701.75	1827.66
Loss/(Gain) on Sale of Fixed Assets	(38.66)	223.64
Provision for Doubtful Debts	-	7.67
Sundry balances written back	(31.11)	(12.31)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>1681.47</u>	<u>5362.48</u>
Adjustment for:		
Trade and Other Receivables	1781.26	(919.69)
Inventories	383.03	(2793.88)
Trade Payables	(607.00)	<u>2045.44</u>
CASH FLOW FROM OPERATIONS	<u>3238.76</u>	3694.35
Direct taxes paid	(20.00)	(200.00)
NET CASH FLOW FROM OPERATIONS	<u>3218.76</u>	<u>3494.35</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>3218.76</u>	<u>3494.35</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1028.48)	(1445.41)
Sale of Fixed Assets	99.57	14.08
NET CASH USED IN INVESTING ACTIVITIES	<u>(928.91)</u>	<u>(1431.33)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings (Net)	(795.05)	(28.13)
Proceeds from Hire Purchase Borrowings(Net)	(0.82)	(2.16)
Proceeds from Short Term Borrowings(Net)	0.21	(98.93)
Equity Share Capital	-	600.00
Interest paid	(1709.26)	(1819.56)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	<u>(2504.92)</u>	<u>(1348.78)</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	 (215.07)	 714.24
CASH & CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	1034.40	320.16
CASH & CASH EQUIVALENTS AS AT THE END OF THE YEAR	819.33	1034.40

Note: 1. The above cash flow statement has been prepared by using the indirect method set out in Accounting Standard 3 - on Cash Flow Statements as defined in Accounting Standards notified under Companies (Accounting Standards) Rules, 2006.

2. Previous year's figures have been regrouped wherever necessary.

As per our attached report of even date

For **LODHA & CO.,**
Chartered Accountants

C.R. GANG
Chief Financial Officer

A.M. HARIHARAN
Partner

P. PRABHAKARA RAO
Company Secretary

Place : Mumbai
Date : 24th May, 2012

Place : Hyderabad
Date : 24th May, 2012

For and on behalf of the Board

M.K. PATODIA
Chairman & Managing Director

ANJANA PATODIA

M.R. VIKRAM

SANJAY PANICKER

} Directors

GTN INDUSTRIES LIMITED**PROXY**

Registered Office: Chitkul Village, Patancheru Mandal, Medak Dist.-502307, Andhra Pradesh.

50th ANNUAL GENERAL MEETING

Folio No./Client ID No. : _____

No.of Shares : _____

I / We of in the District of being Member(s) of the above named Company, hereby appoint..... of or failing him/her of or failing him/her of in the District of as my / our proxy to attend and vote for me / us on my /our behalf at the **Fiftieth ANNUAL GENERAL MEETING** of the Company to be held at Chitkul village, Patancheru Mandal, Medak District, AP at 10.30 A.M. on Friday, the 10th day of August, 2012 or at any adjournment thereof.

Signed thisDay of August, 2012.

Affix a Rs.1/- Revenue Stamp

Signature**Note:**

The Proxy form duly completed should be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the aforesaid meeting.

----- Tear Here -----

GTN INDUSTRIES LIMITED**ATTENDANCE SLIP**

Registered Office: Chitkul Village, Patancheru Mandal, Medak Dist.-502307, Andhra Pradesh.

50th ANNUAL GENERAL MEETING

Folio No./Client ID No. : _____

No.of Shares : _____

Full Name of the Member attending : _____
(in Block letters)

Full Name of the first joint-holder : _____
(To be filled in if first named joint-holder does not attend the meeting)

Full Name of Proxy : _____
(to be filled by the Proxy attending instead of the member)

I, hereby record my presence at the **Fiftieth ANNUAL GENERAL MEETING** of the Company to be held at Chitkul village, Patancheru Mandal, Medak Dist, Andhra Pradesh at 10.30 A.M on Friday, the 10th day of August, 2012

Member's / Proxy's Signature**NOTE :**

Members / Joint Members / Proxies are requested to bring the attendance slip with them, duly completed when they come to the meeting and handover at the gate, affixing signature(s) on it. Duplicate slips will not be issued at the entrance of the Meeting.

GTN INDUSTRIES LIMITED

Registered Office: Chitkul Village, Patancheru Mandal, Medak Dist.-502307, Andhra Pradesh.

Green Initiative in Corporate Governance

Dear Shareholder,

As part of the "Green Initiative in Corporate Governance", the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has allowed companies to send official documents to their shareholders electronically considering its legal validity under the Information Technology Act, 2000.

Ecological sustainability is an increasing need of the modern world. The much welcomed initiative of MCA, taken in cognizance of this need, offers you the benefit of receiving communications faster and does away with the risk of loss of documents in postal transit. Your conscious decision to opt for electronic form of communication will actively contribute in your Company's Corporate Social Responsibility initiatives and help in reduction of paper consumption resulting in a greener environment.

Being a Company with strong focus on green initiatives, GTN Industries Ltd. proposes to send all shareholder communications such as the notice of General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to shareholders in electronic form to the E-Mail Id provided by them and made available to us by the Depositories.

Currently, we do not have your E-mail Id on our records. Keeping in view the spirit of the MCA directive, we request you to register yourself for receiving electronic communications in lieu of physical form by returning the duly filled-in and signed form appended below. Simultaneously, we request you to register your E-mail Id with your Depository Participant and inform them of any changes to the same from time to time.

In case you desire to receive future communications in physical form, please e-mail to the duly filled-in form appended below after selecting your preference to that effect.

Please be informed that the full text of all electronic communications shall be made available in an easily navigable format on our website www.gtnindustries.com under the Investors section.

As always, physical copies of all communications will be available at our Registered office for inspection during office hours.

We are sure, that as a responsible citizen, you will whole-heartedly support this initiative by opting for electronic receipt of future communications.

For GTN Industries Limited

Place : Hyderabad

(P. Prabhakara Rao)

Date : 24th May, 2012

Company Secretary & Compliance Officer

Form for registration of E-mail Id for receiving documents/notices through electronic mode

I/We, shareholder(s) of GTN Industries Limited hereby agree to receive documents/notices from GTN Industries Limited through electronic mode and my E-mail Id(s) for receiving such documents/notices is/are given below:

YES

NO

Name (in block letters)(including Joint holders, if any)	
Registered Folio Number/DP ID/Client ID	
E-Mail Id	
Communication Address :	

Place :

Signature

Date :

BOOK POST



AN ISO 9001:2000 CERTIFIED COMPANY

Registered Office

Chitkul Village, Patancheru Mandal, Medak District - 502307
Andhra Pradesh, India

Corporate Office

Plot No.29, Nagarjuna Hills,
Punjagutta, Hyderabad-500082, Andhra Pradesh.