



# GTN INDUSTRIES LIMITED

52nd ANNUAL REPORT  
2013-2014



## GTN INDUSTRIES LIMITED

### Board of Directors

Mr. M.K.Patodia	Chairman & Managing Director
Mrs. Anjana Patodia	Non-Executive Director (upto 07-08-2014)
Mr. B.L.Singhal	Independent Director
Mr. M.R.Vikram	Independent Director
Mr. C.George Joseph	Non-Executive Director
Mr. Sanjay Panicker	Nominee – IDBI Bank Ltd
Mrs. Rajul Kothari	Independent Women Director (from 07-08-2014)

### Chief Financial Officer

Mr.C.R.Gang

### Company Secretary & Compliance Officer

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  
Telangana State.

### Corporate Office

Plot No.29, Nagarjuna Hills  
Punjagutta, Hyderabad – 500 082  
Telangana State.

CIN No : L18101AP1962PLC054323  
Website : [www.gtnindustries.com](http://www.gtnindustries.com)  
E-mail : [sharedept@gtnindustries.com](mailto:sharedept@gtnindustries.com)

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# GTN INDUSTRIES LIMITED

CIN NO. L18101AP1962PLC054323

**Reg. Office :** Chitkul Village, Patancheru Mandal, Medak Dist., - 502 307. TS.

**Corp. Office :** Plot No. 29, Nagarjuna Hills, Punjagutta, Hyderabad - 500 082. TS. Ph. No. : 040-43407777 / 804, Fax : 040-23358400.

Website: www.gtnindustries.com E-mail: shareddept@gtnindustries.com

Notice is hereby given that the 52nd Annual General Meeting of GTN INDUSTRIES LIMITED will be held at the Registered Office of the Company at Chitkul Village, Patancheru Mandal, Medak District, -502307 Telangana State at 10.15 A.M on Monday, the 29th day of September, 2014 to transact the following business:

## ORDINARY BUSINESS

- To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss for the year ended on that date together with the Reports of Directors and the Auditors thereon.
- To appoint a Director in place of Shri C. George Joseph (DIN 00309739) who retires by rotation and being eligible offers himself for reappointment.
- To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT M/s.Lodha & Co., Chartered Accountants, Mumbai (Registration No.301051E), be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and to authorise Board of Directors to fix their remuneration."

## SPECIAL BUSINESS

- To approve re-appointment of Shri M.K.Patodia (DIN 00004752) as Chairman & Managing Director and in this regard to consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution:  
"RESOLVED THAT in accordance with the provisions of Sections 196, 197 & 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (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 re-appointment of Shri M.K.Patodia (DIN 00004752) as Chairman & Managing Director of the Company for a period of 5 (Five) years with effect from 7th August, 2014, on the terms and conditions including remuneration as is 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 agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as the 'Board' which terms shall be deemed to include the Nomination & Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration and / or agreement, subject to the same not exceeding the limits specified in Schedule V to the Companies Act, 2013 including any Statutory modifications 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."
- To appoint Mrs. Rajul Kothari (DIN No. 06903721) as an Independent Woman Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mrs.Rajul Kothari (DIN No. 06903721), who was appointed as an Additional Director by the Board of Directors in the meeting held on 7th August, 2014 and who hold the office until the conclusion of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 161 of the Companies Act, 2013 from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Woman Director of the Company to hold office for 5 (five) years i.e., up to 6th August, 2019."
- To appoint Shri B.L.Singhal (DIN: 00006433) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri B.L.Singhal (DIN: 00006433), who was appointed as a Director liable to retire by rotation and whose term will expire at next AGM i.e 2015, however in terms of the appointment of Independent Directors, Shri B.L.Singhal (DIN: 00006433), will retire and be re-appointed in this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company to hold office for 5 (Five) consecutive years for a term up to the conclusion of the 57th Annual General Meeting of the Company in the calendar year 2019."
- To appoint Shri M.R.Vikram (DIN: 00008241) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Shri M.R.Vikram (DIN: 00008241), who was appointed as a Director liable to retire by rotation and whose term will expire at next AGM i.e 2015, however in terms of the appointment of Independent Directors, Shri M.R.Vikram (DIN: 00008241), will retire and be re-appointed in this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company to hold office for 5 (Five) consecutive years for a term up to the conclusion of the 57th Annual General Meeting of the Company in the calendar year 2019."
- To approve Related Party Transactions, in this regard to consider and if thought fit, to pass with or without modification(s) the following resolutions as a Special Resolutions:
  - Issue of Preference Shares on Preferential basis:  
"RESOLVED THAT pursuant to the provisions of Section 55(2) and Section 62(1) and Rule 9 (1)(a) and 13(2)(e) Companies (Share Capital and Debentures) Rules, 2014 and other applicable provisions, if any, of the companies Act, 2013 and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company consent be and is hereby accorded to create, offer, issue, and allot 25,00,000 (Twenty Five Lakhs) with a dividend rate not exceeding 11% Redeemable Cumulative Preference Shares of Rs.100/- (Rupees one hundred only) each to the extent of Rs.25,00,00,000 (Rupees Twenty Five Crores only) on such terms and conditions as may be mutually agreed with M/s GTN Engineering (India) Ltd., in one or more tranches with the liberty to the Board or Committee thereof to issue and allot the said shares as and when required and that such Redeemable Cumulative Preference Shares shall be redeemable at par after 5 years but before 10 years."  
"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board or its Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may deem necessary to issue / allotment and redemption from time to time as it may deem fit."
  - Transactions of sale, purchase or supply of goods or services or any other transactions:  
"RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 and SEBI regulations, consent of the members of the Company is accorded to the Board of Directors of the Company to enter into contracts and/or agreements with Related Parties as defined under the Act with respect to sale, purchase or supply of any goods or services or any other transactions of whatever nature with related party i.e., GTN Engineering (India) Limited upto Rs.40 Crores annually in the normal course of business and at arm's length which is in addition to issue of preference shares for Rs.25 crores and sale/dispose off Yarn Processing and Knitting Units for Rs.30.50 Crores.  
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental thereto for the purpose of giving effect to this Resolution."  
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine the actual sums to be involved in the proposed transactions and the terms & conditions related thereto and all other matters arising out of or incidental to the proposed transactions and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental thereto for the purpose of giving effect to this Resolution."
- To approve and consider the borrowing Limits of the Company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:  
"RESOLVED THAT pursuant to General Circular No.04/2014 dated 25.03.2014 issued by the Ministry of Corporate Affairs, with reference to borrowings and/or creation of security, that the resolution passed u/s293 of the Companies Act, 1956 prior to 12.09.2013 with reference to borrowings and/or the creation of security on assets of the company will be regarded as sufficient compliance of the requirements of section 180 of the Companies Act, 2013 for a period of one year from the date of notification of section 180 of the Act. In this regard the Board of Directors of the Company be and are hereby authorised to borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business up to Rs.400 Crores (Rupees Four Hundred Crores Only) notwithstanding that such sum or sums of money exceed the aggregate of the paid up share capital and free reserves of the Company w.e.f. 12-09-2014."  
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and 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

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 102 of the Companies Act, 2013 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 24th Sept, 2014 to 29th Sept, 2014 (both days inclusive).
4. Pursuant to Section 124(6) of the Companies Act, 2013, unclaimed Dividend for the financial year ended 31st March, 2006 has been transferred by the Company to INVESTOR EDUCATION AND PROTECTION FUND (IEPF) established by the Central Government pursuant to Section 125 of the Companies Act, 2013 on 22-08-2013. Dividend for the Financial Year ended 31st March, 2007 and thereafter the amount, 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-07	30-July-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 en-cashed the dividend warrant(s) are requested to seek issue of new warrant(s)/cheque(s) 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 unpaid 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 72 of the Companies Act, 2013, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual shareholder(s) can avail 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)

<b>Name of the Director</b>	<b>Shri. C.George Joseph</b>
<b>Date of Birth</b>	2 <sup>nd</sup> February, 1950
<b>Date of Appointment</b>	28 <sup>th</sup> January, 2010
<b>Qualification</b>	B.Tech.,
<b>Expertise in specific Functional Area</b>	He is having experience in spinning and textile projects over a period of 25 years.
<b>Details of other Directorships, Committee and Membership status</b>	GTN Engineering(India) Ltd.,

7. E-Voting

Procedure and instructions for E-voting is being sent by electronic mode to all the members whose email addresses are registered with the Company/Depository Participants unless a member has requested for hard copy of the same. For members who have not registered their email addresses, physical copy of the notice is being sent by registered post.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013:

Item No.4

Present term of office of Shri. M.K.Patodia as a Chairman & Managing Director will expire on 30th November, 2014. Subject to Shareholders approval, the Board of Directors may reappoint him for a further period of Five (5) years from 7th August, 2014, on the remuneration determined by the Nomination & Remuneration Committee of the Board of Directors. In terms of Govt. of India, Ministry of Corporate Affairs, Notification NCAR rules, 2014, dated 27th March, 2014 where in any financial year, during the currency of tenure of the managerial person, a Company has no profits or its profits are inadequate, it may without Central Govt. approval, pay remuneration to the managerial person not exceeding higher of the limits mentioned under (A) and (B) of Section 2 of Part II of Schedule V of the Companies Act, 2013. (A) Payment of remuneration by way of Salary, Dearness Allowance, Perquisites and any other allowance shall not exceed Rs.60 lacs per annum as effective share capital of the Company is more than Rs.100 crores but less than Rs.250 crores. However, if the appointment is approved by special resolution the above limit shall be Rs.120 lacs. (B) In the case of a managerial person who was not a security holder holding securities of the Company of nominal value of rupees five lakh or more or an employee or a director of the company or not related to any director or promoter if any time during the two years prior to his appointment as a managerial person - 2.5% of the current relevant profit whichever is higher. The Principle terms of the re-appointment and remuneration are as follows:

- a) Salary: Rs.4,25,000/- per month in the scale of Rs.4,25,000 - 75,000 - 6,50,000 effective from 7th August, 2014 for a period not exceeding 3 years.
- b) Commission: As per the provisions of the Companies Act, 2013
- 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 mediclaim 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.25,000/- per annum.
  - (vii) Provision of Car with driver, mobile phone and Telephone at the residence
  - (viii) Un-availed Leave to be en-cashed as per the rules of the Company.

The value of the above perquisites shall not exceed Rs.75,000/- per month. In addition, Company will make contribution to:

- a) Provident Fund
- b) Superannuation or Annuity Fund to the extent not taxable under the Income Tax Act, and
- c) Gratuity as per the provisions of the Payment of Gratuity Act and as per the Gratuity Scheme of the Company.
- d) Minimum Remuneration:

The above appointee shall be paid the same 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 V of the Companies Act, 2013 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 197 and 203 of the Act.

Shri M.K.Patodia, while continue to be the Chairman & Managing Director, shall not be subject to retirement by rotation pursuant to the provisions of Section 152 of the Companies Act, 2013.

Pursuant to the provisions of Section 203 read with Schedule V of the Companies Act, 2013, the approval of the members in General Meeting is required to be obtained with regard to the re-appointment of Shri M.K.Patodia as the Chairman & Managing Director and to the remuneration as set out in item No.4 of the accompanying Notice.

Further, 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 & Managing Director of the Company.

Information required to be disclosed in terms of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 under the Companies Act, 2013:

I. General Information:

- i) Nature of Industry : Textile Industry - The Company is mainly engaged in manufacture and sale of Cotton Yarn in the segment of medium, fine, and superfine Combed yarn.
- ii) Date or expected date of commencement of commercial production : It is an established company and the production commenced in 1964.
- iii) In case of New Companies expected date of commencement as per project approved by financial Institutions appearing in the prospectus: Not applicable.
- iv) Financial Performance based on given indicators.

The turnover and profitability from 2009-10 onwards is furnished below:

(Rs. in lacs)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Sales *	27305	39912	38018	42226	56178
Other Income	150	37	188	255	236
Operating Profit	2275	5197	1718	1505	3477
Interest	1434	1881	1668	2137	2403
PBDT	841	3316	50	(632)	1074
Profit/(Loss)	(728)	1770	(1513)	(2149)	(421)
Before Tax					
Profit/(loss)	(601)	951	(918)	(1631)	(83)
After Tax					

\* Including trading sale

The Effective Capital of the Company based on the Audited accounts for the year ended 31st March, 2014 is Rs.141.27 Crores.

Regarding default in the repayment of its dues (including Public Deposits) or interest payments thereon are NIL.

The Company has not issued any debentures.

v) Foreign Investments or collaboration, if any: The Company does not have any Foreign collaboration.

II. Information about the appointee:

- Background details : Shri M.K.Patodia is an Indian citizen having 63 years of age. He is a Chartered Accountant with over 40 years of experience in Textile Industry. He looks after the operations of the Company besides financial planning and control. 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 during October, 1989 and continuing since then.
- Past remuneration : During the Financial Year 2013-14, Shri M.K.Patodia was paid the following remuneration as against the AGM approved salary of Rs.3,00,000/- lacs per month in the scale of Rs.2,85,000- 30,000-3,75,000/- and other perquisites namely Medical expenses, L.T.C., Fees of Clubs, gas, electricity, water bills, car with driver and personal accident insurance etc. along with contribution to PF, Superannuation and Gratuity.

(Rs. in lacs)				
Salary	Commission	Perquisites	P.F/Gratuity/ Superannuation	Total
15.00	---	1.04	4.77	20.81

The Nomination & Remuneration Committee and the Board of Directors of the company have recognized the expertise, increase in the activities, increase in the responsibilities shouldered and rich and diversified experience in the industry of Shri M.K.Patodia and recommended the remuneration subject to the approval of the shareholders of the Company. His remuneration is comparable with the market trend for a Chairman & Managing Director level Executive.

iii) Job Profile and his suitability: Shri M.K. Patodia is having rich experience in textile industry for 40 years besides he is a qualified Chartered Accountant.

iv) Remuneration proposed : Rs.4,25,000/-per month and other perquisites as per the Schedule V of the Companies Act 2013.

v) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person(in case of expatriates the relevant details would be with respect to the country of his origin)

The remuneration proposed is as per the provisions of the Companies Act.

vi) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.

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 arm's length.

III. Other information:

The Directors' Report and Management Discussion and Analysis forming part of the Annual Report mentioned in detail, 'other information' as required under Schedule V and in terms of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 under the Companies Act, 2013.

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 is interested in this resolution mentioned in Item No.4 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.4 of the Notice.

The terms and conditions mentioned in item No.4 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 190 of the Companies Act, 2013.

#### Item No. 5

As per the provisions of Section 149(1) of the Companies Act, 2013 and amended clause 49 of Listing Agreement, the company should have at least one woman director. Accordingly, the Board, at its meeting held on 7th August, 2014 appointed Mrs. Rajul Kothari, Chartered Accountant as an Additional Director of the Company, pursuant to Section 161 of the Companies Act, 2013 read with Article 96 of Articles of Association of the Company.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mrs. Rajul Kothari will hold office up to the date of ensuing AGM. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a member along with a deposit of Rs.1,00,000/- proposing the candidature of Mrs. Rajul Kothari for the office of Independent Woman Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mrs.Rajul Kothari (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualifications of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that she is not disqualified under subsection (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that she meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mrs.Rajul Kothari as an Independent Woman Director of the Company up to 6th August, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. She is not liable to retire by rotation.

In the opinion of the Board of Directors, Mrs. Rajul Kothari the Independent Woman Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and the Rules made there under and she is independent of the Management. A copy of the draft letter for appointment of Mrs.Rajul Kothari as an Independent Woman Director setting out the terms and conditions is available for inspection without any fee by the members at the Company's registered office during normal business hours on working days up to the date of the AGM.

No director, key managerial personnel or their relatives, except Mrs.Rajul Kothari, to whom the resolution relates, is interested or concerned in the above resolution.

The Board recommends the resolution set forth in Item No.5 for the approval of the members.

#### Item Nos. 6 & 7

Shri B.L.Singhal and Shri M.R.Vikram are Independent Directors of the Company and have held the positions as such for more than 5 (five) years.

The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement inter alia stipulating the conditions for the appointment of independent directors by a listed company.

It is proposed to appoint Shri B.L.Singhal and Shri M.R.Vikram as Independent Directors under Section 149 of the Act and Clause 49 of the Listing Agreement to hold office for 5 (Five) consecutive years for a term up to the conclusion of the 57th Annual General Meeting of the Company in the calendar year 2019.

Shri B.L.Singhal and Shri M.R.Vikram are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors. The Company has received notices along with requisite deposits in writing under Section 160 of the Act proposing the candidature of Shri B.L.Singhal and Shri M.R.Vikram for the office of Directors of the Company.



The Company has also received declarations from Shri B.L.Singhal and Shri M.R.Vikram that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

In the opinion of the Board, Shri B.L.Singhal and Shri M.R.Vikram fulfill the conditions for appointment as Independent Directors as specified in the Act and the Listing Agreement. Shri B.L.Singhal and Shri M.R.Vikram are independent of the management.

Brief resume of Shri B.L.Singhal and Shri M.R.Vikram, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.

Copy of the draft letters for respective appointments of Shri B.L.Singhal and Shri M.R.Vikram as Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

No director, key managerial personnel or their relatives, except Shri B.L.Singhal and Shri M.R.Vikram, to whom the resolution relates, is interested or concerned, financially or otherwise in the above resolution.

The Board recommends the Special Resolutions set out at Item Nos. 6 and 7 of the Notice for approval by the shareholders.

#### Item No. 8

a) The Resolution relates to proposal by the Company to raise finance by Issue and allotment of Redeemable Cumulative Preference Shares to M/s. GTN Engineering (India) Limited on Private Placement basis subject to the guidelines laid down in Companies Act, 2013.

The Redeemable Cumulative Preference shares are proposed to be issued to part Finance the scheme of expansion cum modernization and for the long term working capital requirements. The Funds proposed to be raised by the Company through this source will be economical.

Section 55(2) of the Companies Act, 2013 provides inter-alia that by Issue of Redeemable Preference Shares, it should be decided by Shareholders by passing a Special Resolution.

In terms of Companies (Share Capital and Debentures) Rules, 2014 under Rule 9 (3) and Section 102 shall, inter-alia, provide the complete material facts concerned with and relevant to the issue of such shares, including-

- the size of the issue and number of preference shares to be issued and nominal value of each share: 25,00,000 Preference Shares @ Rs. 100/- each
- the nature of such shares i.e. cumulative or non - cumulative, participating or non-participating, convertible or non - convertible: Non-convertible, Non-participating Cumulative Redeemable Preference Shares
- the objectives of the issue: for expansion/modernization and to meet Working Capital requirement.
- the manner of issue of shares: Private Placement
- the price at which such shares are proposed to be issued: at par Rs.100/- each
- the basis on which the price has been arrived at; At par Value only
- the terms of issue, including terms and rate of dividend on each share, etc.; Redeemable Cumulative Preference Shares with a rate of dividend not exceeding 11% p.a in one or more tranches.
- the terms of redemption, including the tenure of redemption, redemption of shares at premium and if the preference shares are convertible, the terms of conversion: Redeemable at par after 5 years but before 10 years.
- the manner and modes of redemption: Redemption by cash
- the current shareholding pattern of the company;

Category	Equity Shares of Rs. 10/- each		Preference of Rs.100/- each		Total Share capital Rs.
	No. of Shares	%	No. of Shares	%	
1. Promoters & Associates	13092188	74.64	1000000	100.00	230921880
2. M F / FI / Banks & Insurance Companies	91930	0.52	-	-	919300
3. Others	4356260	24.84	-	-	43562600
<b>Total</b>	<b>17540378</b>	<b>100.00</b>	<b>1000000</b>	<b>100.00</b>	<b>275403780</b>

(k) the expected dilution in equity share capital upon conversion of preference shares. No dilution in equity share capital as these are Redeemable Cumulative Preference Shares.

b) Pursuant to Section 188 of the Companies Act, 2013 and as per provisions of SEBI, the Company can enter into transactions mentioned under aforesaid resolution, which are in the ordinary course of business and at arm's length. However the approval of the shareholders is required by way of a special resolution if the transactions exceeds 5% of annual turnover or 20% of the net worth of the Company as per the last audited financials of the Company whichever is higher. To enter into these transactions with related parties which are in the interest of the Company for which Shareholders approval is required under the provisions of the Companies Act, 2013. As the transactions exceed more than 5% of annual turnover i.e Rs.27.00 Crores, hence shareholders approval is required.

- Name of the related party : GTN Engineering(India) Limited
- Name of the director or key managerial personnel who is related, if any : Shri. M.K.Patodia & Shri C.R. Gang
- Nature of relationship: As Member/Director of the Company
- Nature, material terms, monetary value and particulars of the contract or arrangement:  
Cotton/Yarn/Garments/Textiles upto Rs.40.00 Crores annually in the normal course of business at arm's length. The above transaction is in addition to issue of preference shares for Rs.25 crores and sale/dispose off Yarn Processing and Knitting Units (approval sought by Postal Ballot) for Rs.30.50 Crores.
- Any other information relevant or important for the members to take a decision on the proposed resolution: As stated above.  
The proposal outlined above is in the interest of the Company and the Board recommends the resolution set out in the accompanying Notice as special resolutions. Shri M.K.Patodia, Chairman & Managing Director and Shri C.R.Gang, CFO of the Company/their relatives are interested in this resolution set out at Item No.8 of the Notice.  
The Board recommends the Special Resolution set out at Item No.8 of the Notice for approval by the shareholders.

#### Item No. 9

On clarification issued by the Ministry vide its General Circular No.04/2014 dated 25.03.2014 with reference to borrowings and/or creation of security, that the resolution passed u/s 293 of the Companies Act, 1956 prior to 12.09.2013 with reference to borrowings and/ or the creation of security on assets of the company will be regarded as sufficient compliance of the requirements of section 180 of the Companies Act, 2013 for period of one year from the date of notification of section 180 of the Act. The company shall exercise the powers only with the consent of the company by a special resolution.

In accordance with the provisions of Section 180 of the Act read with the Companies Act, 2013 borrowings and/or creation of security, has to be approved by the shareholders of the Company w.e.f. 12-09-2014.

Accordingly, consent of the members is sought for passing a Special Resolution as set out at Item No.9 of the Notice.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution Stated at Item No.9 of the Notice.

The Board recommends the Special Resolution Stated at Item No.9 of the Notice for approval by the shareholders.

#### REQUEST TO THE MEMBERS

- 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.
- As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the meeting.
- All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s Integrated Enterprises (India) Ltd.
- 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.

By order of the Board  
For GTN Industries Limited

Place : Hyderabad  
Date : 7<sup>th</sup> August, 2014

(P.Prabhakara Rao)  
Company Secretary & Compliance Officer

## DIRECTORS' REPORT

To the Members,

Your Directors are presenting the 52<sup>nd</sup> Annual Report together with the Audited Statements of Account for the year ended 31<sup>st</sup> March 2014.

### FINANCIAL RESULTS

(Rs. in Lacs)

	Year ended 31 <sup>st</sup> March, 2014	Year ended 31 <sup>st</sup> March, 2013
<b>INCOME</b>		
Net Sales/Income from operations*	56178	42226
Other Income	236	255
Variation in Stock	679	(511)
<b>Total</b>	<b>57093</b>	<b>41970</b>
<b>EXPENDITURE</b>		
a) Cost of Materials**	40777	27738
b) Staff Cost	3508	3044
c) Power & Fuel	4149	4373
d) Other expenditure	5182	4561
<b>Total</b>	<b>53616</b>	<b>39716</b>
<b>OPERATING PROFIT</b>	<b>3477</b>	<b>2254</b>
Interest	2403	2137
<b>Net Profit/(Loss) before Depreciation and Taxation</b>	<b>1074</b>	<b>117</b>
Depreciation	1495	1517
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(421)</b>	<b>(1400)</b>
<b>Exceptional Items</b>	<b>-</b>	<b>749</b>
Mat Credit Entitlement	152	-
Provision for Deferred Tax	(376)	(462)
Tax in respect of earlier years	(114)	(56)
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>(83)</b>	<b>(1631)</b>

\* Sales includes Traded goods of Rs. 21748 lacs (Previous year Rs. 11124 lacs).

\*\* Cost of Material includes Trading purchases of Rs. 20953 lacs (Previous year Rs.10611 lacs).

### DIVIDEND

In view of the Net loss incurred by the Company 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 aggregate turnover of Rs.56178 lacs against Rs. 42226 lacs in the corresponding previous year. The operating and Net profit before depreciation and tax were higher by Rs.1223 lacs and Rs. 957 lacs respectively, as compared to the corresponding previous year.

### CORPORATE DEBT RESTRUCTURING

The company had approached Corporate Debt Restructuring Cell during 2008-09 for the various financial assistance to strengthen the operations and CDR-EG approved the scheme effective from 31-01-2009. Second Restructuring which was approved with cut-off date from 1<sup>st</sup> July, 2012, Lenders were protected with the NPV amounts for their sacrifice. The Company has complied with all the terms of the Scheme including payment of NPV amount.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 134 (old Section 217(2AA) of 1956) the Companies Act, 2013, your Directors confirm that: -

- a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and there are no material departures;
- b) 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.
- c) 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.
- d) they have prepared the annual accounts on a going concern basis.

## DIRECTORS' REPORT (Contd.,)

- e) the Directors, have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### 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.

### HIVE OFF YARN PROCESSING / KNITTING UNITS :

As approved by the share holders, the company has initiated action to hive off these units. The company has received approvals from CDR - EG and the majority of the lenders (holding 92.5% of the total financial exposure). The approvals from two lenders and the Commissioner of Industries for the transfer of the deferred Sales Tax loan, are awaited. The Company expected to complete the transaction by Sept/Oct, 2014.

### FIXED DEPOSITS

As per the new provisions of the Companies Act, 2013, Company is not accepting/renewing Fixed Deposits from the public / shareholders and outstanding deposits shall be repaid before 31<sup>st</sup> March, 2015. No Unclaimed Deposits are outstanding at the end of the financial year.

### DIRECTORS

In accordance with the provisions of the Companies Act, 2013 and the Company's Articles of Association, Shri C.George Joseph, Director retire from office by rotation and is eligible for re-appointment.

During the year Smt. Anjana Patodia has resigned as a Director and Smt. Rajul Kothari has been appointed as Independent Women Director at the Board of Director's Meeting held on 7<sup>th</sup> August, 2014.

Mr. B. L. Singhal and Mr. M.R. Vikram were re-appointed as Independent Directors at the Board of Director's Meeting held on 7<sup>th</sup> August, 2014.

### AUDITORS

M/s. Lodha & Company, Chartered Accountants, Mumbai, Auditors of the company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letters from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the New Companies Act, 2013 and that they are not disqualified for re-appointment.

The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments.

### PERSONNEL & INDUSTRIAL RELATIONS

During the year, the Industrial relations were cordial and satisfactory at all units of the Company. There were no employees whose particulars are to be given in terms of Section 134 (old Section 217(2A) of 1956) the Companies Act, 2013 read with the Companies (Particulars of Employees)

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

The information required under Section 134 (3) (iii) of (old section 217(1)(e) of 1956) the Companies Act, 2013 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.

### ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to CDR- EG, Central Bank of India, State Bank of India, IDBI Bank Limited, 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

Place: Hyderabad

Date : 7<sup>th</sup> August, 2014

**M.K. PATODIA**

Chairman & Managing Director



**DIRECTORS' REPORT** (Contd.,)**ANNEXURE – I**

Information as per Section 134 (3) (m) and read with Rule 8(3) (A) (B) (C) of Companies (Accounts) Rules, 2014 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 <sup>st</sup> March, 2014	Year ended 31 <sup>st</sup> March, 2013
<b>I. Power Consumption</b>		
1. Electricity		
a) Purchased (Units in lacs)	<b>644.57</b>	633.54
Total amount (Rs. In lacs)	<b>3856.82</b>	4431.71
Rate per unit (Rs.)	<b>5.98</b>	7.00
b) Own generation through Diesel		
Generator (units in lacs)	<b>3.38</b>	13.18
Units per litre of diesel oil	<b>3.01</b>	3.14
Cost per unit (Rs.)	<b>20.13</b>	13.82
2. Coal	Nil	Nil
3. Furnace Oil (low sulphur high stock oil)	<b>Nil</b>	Nil
4. Other internal generation	<b>Nil</b>	Nil
<b>II. Consumption per unit of production</b>		
a) Electricity – Units per Kg. Yarn	6.04	6.44
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 Textile Units situated Southern Region (SITRA).

**C. Foreign Exchange Earnings & Outgo**

Total Foreign Exchange earned and used excluding capital goods, Components & Spares:

Earned : Rs. 34805.31 lacs (Previous year Rs. 23393.79 lacs)

Used : Rs. 5531.89 lacs ( Previous year Rs. 5855.32 lacs )

For and on behalf of the Board

Place : Hyderabad  
Date : 7<sup>th</sup> August, 2014

**M.K. PATODIA**  
Chairman & Managing Director

## REPORT ON CORPORATE GOVERNANCE

### 1. A brief statements on Company's Philosophy on Code of 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 levels 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.

#### a) Composition and category of Directors as on 31<sup>st</sup> March, 2014 is as follows:

Category	Name of the Director(s)
<b>Promoters:</b> Executive Chairman & Managing Director Non-Executive Director	Mr. M.K.Patodia Mrs. Anjana Patodia (Since Resigned)
<b>Independent Directors</b>	Mr. B.L.Singhal Mr. M.R.Vikram
<b>Non- Executive and Non- Independent Directors</b>	Mr. C.George Joseph Mr. Sanjay Panicker (Nominee Director - IDBI)

#### b) Attendance of each Director at the Board Meetings and the last AGM

Name of the Director	Attendance particulars	
	Board Meetings	Last AGM
Mr. M.K.Patodia	5	Yes
Mrs.Anjana Patodia	4	Yes
Mr. B.L.Singhal	5	Yes
Mr. M.R.Vikram	5	Yes
Mr.Sanjay Panicker(Nominee IDBI)	3	Yes
Mr.C.George Joseph	2	Yes

#### c) Number of other Boards or Board Committees in which he/she is a member or Chairman

Name of the Director	No. of other Directorships & Committee member	
	Directorships including Pvt. Ltd. Cos.	Committee Membership
Mr. M. K. Patodia	4	-
Mrs.Anjana Patodia	1	1
Mr. B. L. Singhal	7	Nil
Mr. M. R. Vikram	16	2
Mr.Sanjay Panicker (Nominee IDBI)	-	-
Mr.C.George Joseph	1	2

**REPORT ON CORPORATE GOVERNANCE** (Contd.,)**d) Number of Board Meetings held and the date on which held:**

Five Board Meetings were held during the year, on the following dates:

29 <sup>th</sup> May, 2013	1 <sup>st</sup> Aug, 2013	5 <sup>th</sup> Feb, 2014
12 <sup>th</sup> July, 2013	30 <sup>th</sup> Oct, 2013	

The Maximum time gap between any two meetings was not more than 120 days.

**3. Audit Committee****i. Brief description of terms of reference**

The Audit Committee consists of Non-executive Directors viz., Mr. B.L.Singhal, Chairman, Mr.Sanjay Panicker and Mr. M.R.Vikram. The constitution of Audit Committee also meets with the requirements under Section 177 of (old section 292A of 1956) the Companies Act, 2013 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 shall 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, Cost Auditors and Fixation of audit fee and also approval for payment for other services etc.

**ii. Composition, name of members and Chairman**

Name of Committees	Chairman/Members of the Committee(s)
<b>AUDIT COMMITTEE</b>	Shri. B.L.Singhal - Chairman Shri M.R.Vikram Shri Sanjay Panicker

**iii. Meetings and attendance during the year**

Name of the Member	Meetings held on				No. of Meetings attended
	29-05-13	01-08-13	30-10-13	05-02-14	
Mr. B.L.Singhal	Attended	Attended	Attended	Attended	4
Mrs. Anjana Patodia	Attended	Attended	Attended	Attended	4
Mr.M.R.Vikram	Attended	Attended	Attended	Attended	4
Mr.Sanjay Panicker	Attended	LA	Attended	LA	2

**REPORT ON CORPORATE GOVERNANCE** (Contd.,)**4. Nomination & Remuneration Committee (Formerly Remuneration Committee):****i. Brief description of terms of reference**

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, 2013

**ii. Composition, name of members and Chairman**

<b>NOMINATION &amp; REMUNERATION COMMITTEE (Formerly Known as Remuneration Committee)</b>	Shri M R Vikram - Chairman Shri B.L.Singhal Shri C. George Joseph
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**iii. Attendance during the year**

During the year No Nomination & Remuneration Committee Meeting was held.

**iv. Remuneration policy**

Company adopted to follow/comply the provisions of the Companies Act and pay managerial remuneration within the limits of Act/Schedule

**v. Details of Remuneration to all the directors**

No remuneration is paid to Non-Executive/Independent Directors except sitting fee at the rate of Rs.7500/- for each meeting of the Board, Audit and Shareholders/Investors Grievances Committee Meetings.

<b>Name of the Director</b>	<b>Amounts (in Rs.)</b>
Smt. Anjana Patodia	90,000
Shri B.L.Singhal	97,500
Shri M.R.Vikram	97,500
M/s. IDBI Bank Ltd (for Nominee Director)	37,500
Shri C.George Joseph	15,000

**5. Stakeholders Relationship Committee(Formerly known as Shareholders/Investors Grievances Committee)****i. Names of Non-Executive Director heading the committee:**

Shri M R Vikram - Chairman Shri C.George Joseph Shri B.L.Singhal
--

**ii. Name and designation of Compliance officer** : Shri P.Prabhakara Rao, Company Secretary

**iii. Number of Shareholders Complaints received** : 13

**iv. Number not solved to the satisfaction of shareholders** : Nil

**v. Number of pending complaints** : Nil

**REPORT ON CORPORATE GOVERNANCE** (Contd.,)**6. General Body Meetings**

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

Financial Year	Location	Nature of	Date Meeting	Day	Time
2010-11	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	27 <sup>th</sup> July, 11	Wednesday	10.15 A.M
2011-12	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	10 <sup>th</sup> Aug, 12	Friday	10.30 A.M
2012-13	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	1 <sup>st</sup> Aug, 13	Thursday	10.30 A.M
2013-14	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	Postal Ballot	12 <sup>th</sup> Aug, 13	Monday	10.30 A.M

- ii. Whether any special resolutions passed in the previous 3 AGMs: **YES**
- iii. Whether any Special Resolution passed last year through postal ballot - details of voting pattern- **No Special Resolution passed.**
- iv. Person who conducted the postal ballot exercise: Mr. D.V.M.Gopal, FCS
- v. Whether any special resolution is proposed to be conducted through postal ballot - **YES**
- vi. Procedure for postal ballot: Complied provisions of the Companies Act- Postal Ballot Rules.

**7. 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

**8. Means of Communication**

- i. **Quarterly results**

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.



**REPORT ON CORPORATE GOVERNANCE** (Contd.,)**ii. Newspapers wherein results normally published**

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

**iii. Any website where displayed : Nil****iv. Whether it also displays official news releases: Nil****v. The presentation made to institutional investors or to the analysts; NIL****9. General Shareholders Information****i) AGM:**

Date and time : 29<sup>th</sup> September, 2014 at 10.15 A.M  
Venue : Chitkul Village, Patancheru Mandal,  
Medak Dist-502307 Telangana

**ii) Financial Year : 2013-2014****iii) Date of Book Closure : 24<sup>th</sup> Sept, 2014 to 29<sup>th</sup> .Sept, 2014  
(Both days inclusive)****iv) Dividend payment date : No dividend recommended by the  
Board for the year 2013-14.****v) Listing on Stock Exchanges at : BSE Ltd., (BSE) and  
National stock Exchange (NSE)  
Annual listing fee for the year 2014-15  
has been paid to BSE and NSE.****vi) STOCK CODE**

Scrip Code No. : BSE : **500170**  
Trading Symbol : NSE : **GTNIND.**

**vii) Market Price Data High, Low during each month in last financial year :**

Month & Year	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
Apr, 2013	10.74	7.35	8.80	7.50
May, 2013	9.67	7.80	—	—
June, 2013	8.79	7.13	—	—
July, 2013	7.68	6.66	—	—
Aug, 2013	8.17	7.50	—	—
Sep, 2013	9.40	8.00	—	—
Oct, 2013	8.50	6.65	—	—
Nov, 2013	9.38	7.50	—	—
Dec, 2013	8.80	6.90	—	—
Jan, 2014	9.70	7.62	8.95	7.75
Feb, 2014	8.95	7.56	9.10	8.80
Mar, 2014	9.37	6.85	8.95	6.65

**viii) Performance in comparison to broad –based indices such as BSE Sensex, CRISIL index etc.,- Our Company Scrip was not actively traded and transactions are not significant.**

**REPORT ON CORPORATE GOVERNANCE** (Contd.,)

- ix) Registrar and Transfer agents : **Integrated Enterprises (India) Ltd**  
2<sup>nd</sup> 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
- x) 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/by-laws issued by SEBI and NSDL/CDSL.

- xi) Distribution of Shareholding as on 31<sup>st</sup> March, 2014

No. of Shares held	No. of shareholders	% of shareholders	No. of shares	% of Holding
Up to 100	20006	87.78	612996	3.50
101 – 500	1826	8.01	509038	2.90
501 – 1000	439	1.93	359746	2.05
1001 – 10000	466	2.04	1341031	7.65
10001 – 100000	46	0.20	1365677	7.78
Above 100000	9	0.04	13351890	76.12
<b>Total</b>	<b>22961</b>	<b>100.00</b>	<b>17540378</b>	<b>100.00</b>

- xii) Dematerialization of Shares and liquidity

The Shares of the Company are compulsorily traded in **DEMAT** form by all categories of investors w.e.f 28<sup>th</sup> 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 **31<sup>st</sup> March, 2014, 97.30%** Equity shares of the company were held in dematerialized form.

- xiii) Outstanding GDRs/SDRs/Warrants or any Convertible instruments, conversion date and likely impact on equity - NIL

- xiv) Plant locations

SPINNING / DOUBLING /KNITTING UNIT(S)	SPINNING UNIT	YARN PROCESSING UNIT
Chitkul village, Patancheru Mandal, Medak District, PIN -502 307.T.S.	Khurajgaon Village, Saoner Tahsil, Nagpur District, PIN-441112. Maharashtra.	Gundlapotlapally village, Balanagar Mandal, Mahaboobnagar Dist, PIN-509 202. T.S.

- xiv) Address for Correspondence

**Secretarial Department,**  
GTN INDUSTRIES LIMITED  
Plot No.29, Nagarjuna Hills,  
Punjagutta, Hyderabad – 500 082  
Telangana. Tel:040-43407804/811  
Fax:040-23358400  
E-mail: shareddept@gtindustries.com

The above report was adopted by Board of Directors at their meeting held on 7<sup>th</sup> August, 2014.

## GTN INDUSTRIES LIMITED

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

TO

#### THE MEMBERS OF GTN INDUSTRIES LIMITED

1. We have examined the compliance of conditions of Corporate Governance by **GTN INDUSTRIES LIMITED** (the Company) for the year ended 31<sup>st</sup> March, 2014, as stipulated in clause 49 of the Listing Agreement entered into by the Company, with the Stock Exchanges of India.
2. 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.
3. 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.
4. 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,  
(ICAI FRN. No.301051E)

**A.M.Hariharan**  
Partner  
M.No. 38323

Place : Mumbai  
Date : 7<sup>th</sup> August, 2014.

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. INDUSTRY STRUCTURE & DEVELOPMENTS

The Textile Industry is one of the oldest Industry in the country and plays a important 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 and India's installed spindles were expanded to 49.44 million as on January, 2014, accounting for 20 per cent of world's spindleage. This could happen due to buoyant domestic and international demand, conducive Government Policies. Indian Textile sector contributes to 4% to the country's Gross Domestic Product (GDP), accounting for 14% of Industrial Production, 17% to the country's exports and also employs about 3.5 crores workforce 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 high cotton prices in the domestic market.

However, the markets became 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 2014 since it is expected that cotton crop is likely to be higher and prices are forecasted to be relatively stable. In addition, the continuation of TUF Scheme till 31-03-2017 and higher realization on exports due to stable Government and stability of the Rupee. These are favourable indicators for the reasonable growth of textile industry in the country.

#### COTTON SCENARIO

##### Domestic

As per the Cotton Advisory Board, cotton crop estimates for 2013-14 is 375 lac bales (containing 170 kgs of cotton per bale ) which is 2.74% higher than last year's production of 365 lac bales . The demand/consumption excluding exports was 297 lac bales which is higher on comparison of 2012-13 consumption of 283 lac bales. Cotton exports during 2013-14 was 100 lac plus bales as against exports of 101.43 lac bales of 2012-13. The estimated cotton crop area for the financial year 2013-14 is 115.53 lac hectare which is lower by 3.55% of 2012-13.

This cotton season of 2013-14 has been one of the worst in terms of quality cotton availability. Quality complaints in cotton started way back in mid January onwards, even though more than 50% arrivals were still due to come into the market. The rise and fall of prices has played a major impact on quality cotton availability as well.

During January, we had seen the sudden drop in cotton arrivals across the entire country as the prices were rising and farmers became more and more reluctant to bring raw cotton to the markets. This caused the prices to move northwards adding up-to 20-25% increase in prices. It is only when the market prices stabilized and slid a little bit, the arrivals improved and supplies became available in the markets. But by that time, even the last pick cotton was also available. In order to gain more profits, traders and farmers mixed up their last pick cotton with old good quality stock and hence started short staple and variation in length complaints.

Now, since last week of April, the domestic prices have picked up on good demand from mills and exporters. Added to this, the arrivals have declined, ginning units have shut down and good quality cotton has gone into stock for sale only after a spell of rains. The markets are very firm and no ginner is releasing any good quality stocks in the market.

**MANAGEMENT DISCUSSION & ANALYSIS (Contd.,)****International**

The initial 2014-15 world cotton projections show world ending stocks of nearly 102 million bales, which would be the fourth consecutive record. World production is projected 1.4 percent lower than 2013-14 at 115.5 million bales, as reductions, mainly for China, Australia, and India, are partially offset by increases for the United States, Brazil, and Turkey. World consumption is expected to rise more than 2 percent, due to projected growth in world GDP and expected reductions in China's price support levels. China's beginning stocks are expected to reach nearly 60 million bales, more than 60 percent of total world stocks. China's imports are projected to fall about one-third in 2014-15, as the government is likely to restrict imports in favor of consumption of domestic cotton. China accounts for virtually all of the anticipated 10 percent reduction in world trade. With China's ending stocks expected to grow slightly, world stocks outside of China would rise about 7 percent. China's imports and India's exports are raised, but U.S. exports are reduced 300,000 bales due to the recent fall-off in sales. U.S. ending stocks are raised to 2.8 million bales. .

**MARKETING**

India is a large supplier of cotton yarn in world market. Due to recession from 2009 in global markets, volume and value of export have come down significantly. Your Company is also 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 rupee, net realization from exports looks to be difficult. The demand in domestic market is improving for woven and garment sector and gradually Company expect to have larger sale in domestic market.

**FOREIGN 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.

In last 3 years exchange rates has been quite volatile. At the end of 31-03-2012 dollar rupee exchange rate was at Rs.51.21 In 2012-13 dollar rupee exchange rate was volatile at around Rs.54.00 to Rs.56.00. In 2013-14 also dollar rupee exchange rate was significantly volatile at around Rs.59 to Rs. 68 and as on 31-03-2014 same was settled around Rs.60. The Company expects to realize its exports at current rate. However, it will also have impact on import of cotton.

**2. OPPORTUNITIES, THREATS AND CONCERN**

The future of Indian Textile industry is highly depending on availability of raw material at a competitive price. With the introduction of Hybrids and BT Cotton, the cotton production in India is increasing and it is expected that the supply of quality cotton will be comfortable in the coming season 2014-15.

Chinese exports of Textiles and clothing are declining especially to USA, thus, provides 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 price, 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. However, new schemes are introduced which are in temporary nature, power in Andhra Pradesh is a challenge and the cost has gone up significantly. The availability of workers is also a problem.

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.



**MANAGEMENT DISCUSSION & ANALYSIS (Contd.,)**

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 sale (Domestic / Exports) of cotton yarn and accordingly this is the only Single Reportable Segment.

**4. OUTLOOK**

The Company continues to be an important player in the field of cotton yarn in medium and 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 current markets.

**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 audits, 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 other data and for 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 (INCLUDING NUMBER OF PEOPLE EMPLOYED)**

The Company recognizes 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. However, operations at yarn processing unit were suspended for 56 days during the year under review due to order received from APPCB. As on 31st March 2014, the Company has about 1460 (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 predictions' 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.

## INDEPENDENT AUDITORS' REPORT

To

The Members of  
GTN Industries Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of **GTN Industries Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year then ended and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 5/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

- (1) As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

**INDEPENDENT AUDITORS' REPORT (Contd.,)**

(2) As required by section 227(3) of the Act, we report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 the 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 the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.
- (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

**For LODHA & COMPANY**

Chartered Accountants  
(ICAI FRN: 301051E)

**A.M. Hariharan**

Partner

Place : Mumbai

Date : May 17<sup>th</sup>, 2014

M.No. : 38323

**ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF GTN INDUSTRIES LIMITED**

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:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, 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. Also refer note 26(B)(2) to the financial statements regarding the proposed hive off of Yarn Processing Unit and Knitting Unit of the Company by way of Slump sale.
2. a) As per the information furnished, the inventory has been physically verified by the management at reasonable intervals during the year.

## GTN INDUSTRIES LIMITED

### **ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF GTN INDUSTRIES LIMITED (Contd..)**

- 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.
- 3. 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 4 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. 26.00 lacs and Rs. 26.00 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.
- 4. 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.
- 5. 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 4 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.
- 6. 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.
- 7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- 8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by 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 maintained. However, we have not made a detailed examination of the records with a view to determine whether these are accurate or complete.
- 9. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with the appropriate authorities the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax,

**ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF GTN INDUSTRIES LIMITED (Contd.,)**

Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues applicable to it. No undisputed amounts payable in respect of aforesaid statutory dues were outstanding as at 31st March, 2014 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:

Sl. No.	Nature of dues	Amount (Rs. in Lacs)	Year	Forum where the dispute is pending
1.	Duty Drawback	18.69	1998-99	Madras High Court
2.	Cess on Captive Generation	24.27	2004-05 to 2013-14	Andhra Pradesh High Court
3.	Sales Tax	2.56	2002-03 and 2003-04	Appellate Deputy Commissioner, Nagpur
4.	Agricultural Marketing Cess	13.75	2010-11	Andhra Pradesh High Court
5.	Income Tax	154.21	2010-11	Commissioner of Income Tax (Appeals), Kochi
6.	Excise Duty	73.95	2006-07	Andhra Pradesh High Court

10. The Company's accumulated losses as at 31<sup>st</sup> March, 2014 is less than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit. However, it has incurred cash losses in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to banks and financial institutions.
12. 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.
13. 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.
14. 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.
15. 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.
16. According to the information and explanations given to us and in our opinion, the term loans outstanding at the beginning of the year and those raised during the year have been applied for the purpose for which they were raised.
17. 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.



## GTN INDUSTRIES LIMITED

### ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF GTN INDUSTRIES LIMITED (Contd.,)

18. During the year, the Company has made preferential allotment of 0.01% Cumulative Redeemable Preference Shares to a Company covered in the register maintained under Section 301 of the Act pursuant to the financial restructuring scheme approved by the CDR - EG. Also, it has made preferential allotment of 10% Cumulative Redeemable Preference Shares to two companies covered in the register maintained under Section 301 of the Act. The terms and conditions at which these shares have been issued are *prima facie* not prejudicial to the interest of the Company.
19. According to the information and explanations given to us, the Company did not have any outstanding debentures during the year covered by this report or in the recent past.
20. The Company has not raised any money by way of public issues during the year or in the recent past.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For LODHA & COMPANY**  
Chartered Accountants  
(ICAI FRN: 301051E)

**A.M. Hariharan**  
Partner  
M.No. : 38323

Place : Mumbai  
Date : May 17<sup>th</sup>, 2014

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2014**

	NOTE	31 <sup>st</sup> March, 2014 (Rs. in Lacs)	31 <sup>st</sup> March, 2013 (Rs. in Lacs)
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2754.96	1754.96
Reserves and Surplus	2	798.05	885.25
<b>Non-Current Liabilities</b>			
Long Term Borrowings	3	10601.78	12072.32
Deferred Tax Liabilities (Net)	4	226.52	602.96
<b>Current Liabilities</b>			
Short Term Borrowings	5	7881.99	7648.77
Trade Payables	6	3675.29	5146.57
Other Current Liabilities	7	1784.40	1224.58
Short Term Provisions	8	275.64	245.26
<b>TOTAL</b>		<b>27998.63</b>	<b>29580.67</b>
<b>II. ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	9		
Tangible Assets		13640.81	14355.76
Intangible Assets		2.44	3.09
Capital Work-in-Progress		79.77	11.88
<b>Non-Current Investments</b>	10	-	0.05
<b>Long Term Loans and Advances</b>	11	644.14	786.66
Other Non-Current Assets	12	204.40	322.80
<b>Current assets</b>			
Inventories	13	7452.33	7632.21
Trade Receivables	14	2764.31	4425.76
Cash and Cash Equivalents	15	897.44	225.32
Short-term Loans and Advances	16	456.99	555.47
Other Current Assets	17	1856.00	1261.67
<b>TOTAL</b>		<b>27998.63</b>	<b>29580.67</b>
Significant accounting policies and notes on financial statements	1-26		
<b>Notes 1 to 26 form an integral part of the financial statements</b>			
As per our attached report of even date For <b>LODHA &amp; CO.</b> , Chartered Accountants		For and on behalf of the Board	
<b>A.M. HARIHARAN</b> Partner	<b>C.R.GANG</b> Chief Financial Officer	<b>M.K.PATODIA</b> Chairman & Managing Director	} Directors
	<b>P.PRABHAKARA RAO</b> Company Secretary	<b>ANJANA PATODIA</b>	
		<b>B.L.SINGHAL</b>	
		<b>M.R.VIKRAM</b>	
Place: Mumbai Date : 17 <sup>th</sup> May, 2014	Place: Hyderabad Date : 17 <sup>th</sup> May, 2014	<b>SANJAY PANICKER</b>	

**GTN INDUSTRIES LIMITED**

<b>STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014</b>			
	<b>NOTE</b>	<b>For the year ended 31<sup>st</sup> March, 2014 (Rs. in Lacs)</b>	<b>For the year ended 31<sup>st</sup> March, 2013 (Rs. in Lacs)</b>
<b>I. REVENUE FROM OPERATIONS</b>	18	<b>56178.37</b>	42226.09
<b>II. OTHER INCOME</b>	19	<b>235.90</b>	254.96
<b>III. TOTAL REVENUE (I + II)</b>		<b>56414.27</b>	42481.05
<b>IV. EXPENSES:</b>			
Cost of Materials Consumed	20	<b>19823.66</b>	17126.65
Purchases of Stock-in-Trade	21	<b>20953.20</b>	10611.31
Changes in Inventories of Finished Goods			
Work-in-Progress and Stock-in-Trade	22	<b>(678.73)</b>	511.43
Employee Benefits Expense	23	<b>3507.79</b>	3044.39
Finance Costs	24	<b>2403.18</b>	2297.86
Depreciation		<b>1494.96</b>	1517.34
Other Expenses	25	<b>9331.18</b>	8773.55
<b>TOTAL EXPENSES</b>		<b>56835.24</b>	43882.53
<b>V. PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEM AND TAX (III-IV)</b>		<b>(420.97)</b>	(1401.48)
<b>VI. Exceptional item</b>		-	748.23
<b>VII. PROFIT / (LOSS) BEFORE TAX (V - VI)</b>		<b>(420.97)</b>	(2149.71)
<b>VIII. TAX EXPENSE:</b>			
Mat Credit Entitlement		<b>152.39</b>	-
Deferred Tax		<b>(376.44)</b>	(462.37)
Prior Years' Income Tax adjustments		<b>(114.39)</b>	(56.22)
<b>IX. PROFIT /(LOSS) FOR THE YEAR (VII -VIII)</b>		<b>(82.53)</b>	(1631.12)
<b>X. Earnings per equity share of face value of Rs 10 each.</b>	26B-8	<b>(0.56)</b>	(9.30)
Basic & Diluted (in Rs )			
Significant accounting policies and notes on financial statements	1-26		
<b>Notes 1 to 26 form an integral part of the financial statements</b>			
<p>As per our attached report of even date For <b>LODHA &amp; CO.</b>, Chartered Accountants</p> <p><b>A.M. HARIHARAN</b> Partner</p> <p>Place : Mumbai Date : 17<sup>th</sup> May, 2014</p>		<p>For and on behalf of the Board</p> <p><b>M.K.PATODIA</b> Chairman &amp; Managing Director</p> <p><b>ANJANA PATODIA</b> <b>B.L.SINGHAL</b> <b>M.R.VIKRAM</b> <b>SANJAY PANICKER</b></p> <p style="text-align: right;">} Directors</p>	
<p><b>C.R.GANG</b> Chief Financial Officer</p> <p><b>P.PRABHAKARA RAO</b> Company Secretary</p> <p>Place : Hyderabad Date : 17<sup>th</sup> May, 2014</p>			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014

	As at 31 <sup>st</sup> March, 2014		As at 31 <sup>st</sup> March, 2013	
	Number	Rs. in Lacs	Number	Rs. in Lacs
<b>1 SHAREHOLDERS' FUNDS</b>				
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
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>
<b>ISSUED SHARE CAPITAL</b>				
Equity Shares of Rs. 10 each	17558778	1755.88	17558778	1755.88
0.01% Cumulative Redeemable Preference shares of Rs.100 each	200000	200.00	-	-
10% Cumulative Redeemable Preference shares of Rs.100 each	800000	800.00		
	<u>1000000</u>	<u>1000.00</u>	<u>-</u>	<u>-</u>
<b>SUBSCRIBED &amp; FULLY PAID SHARE CAPITAL</b>				
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
	<u>17540378</u>	<u>1754.96</u>	<u>17540378</u>	<u>1754.96</u>
0.01% Cumulative Redeemable Preference shares of Rs.100 each	200000	200.00	-	-
10% Cumulative Redeemable Preference shares of Rs.100 each	800000	800.00	-	-
	<u>1000000</u>	<u>1000.00</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>		<u>2754.96</u>		<u>1754.96</u>

**a) Terms/Rights attached to Equity Shares**

The Company has one class of 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. The distribution will be in proportion to the number of equity shares held by the shareholders.

**b) Terms/Rights attached to Preference Shares**

As stipulated by CDR EG, the company issued 2,00,000, 0.01% Cumulative Redeemable Preference Shares of Rs.100/- each at par on 24.04.2013. These shares are redeemable after a period of 15 years from the date of issue.

Also, the Company issued 3,00,000, 10% Cumulative Redeemable Preference Shares of Rs.100/- each at par on 18.07.2013 and 5,00,000, 10% Cumulative Redeemable Preference Shares of Rs.100/- each at par on 29.03.2014. These shares are redeemable after a period of 2 years but before a period of 5 years from the date of issue.

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)****c) The reconciliation of the number of shares outstanding is set out below :**

Particulars	As at 31 <sup>st</sup> March, 2014		As at 31 <sup>st</sup> March, 2013	
	Number	Rs. in Lacs	Number	Rs. in Lacs
<b>Equity Shares</b>				
Shares at the beginning of the year	17540378	1754.96	17540378	1754.96
Issued during the year	-	-	-	-
Shares outstanding at the end of the year	17540378	1754.96	17540378	1754.96
<b>Preference Shares</b>				
Shares at the beginning of the year	-	-	-	-
Issued during the year	1000000	1000.00	-	-
Shares outstanding at the end of the year	1000000	1000.00	-	-

d) As stipulated by CDR-EG, the promoters have pledged their 51% shareholding i.e., 66,77,100 Equity shares in favour of the lenders.

**e) The details of shareholders holding more than 5% shares**

Name of Shareholder	As at 31 <sup>st</sup> March, 2014		As at 31 <sup>st</sup> March, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
<b>Equity Shares of Rs. 10/- each</b>				
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%
<b>0.01% Cumulative Redeemable Preference shares of Rs.100/- each</b>				
GTN Engineering (India) Limited	200000	100.00%	-	-
<b>10% Cumulative Redeemable Preference shares of Rs.100/- each</b>				
GTN Engineering (India) Limited	500000	62.50%	-	-
JEL Finance and Investments Limited	300000	37.50%	-	-



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)

	As at 31 <sup>st</sup> March, 2014 (Rs. in Lacs)	As at 31 <sup>st</sup> March, 2013 (Rs. in Lacs)
<b>2. SHAREHOLDERS' FUNDS</b>		
<b>RESERVES &amp; SURPLUS</b>		
(a) <b>SECURITIES PREMIUM ACCOUNT</b> As per last Balance Sheet	1112.08	1112.08
(b) <b>REVALUATION RESERVE</b> As per last Balance Sheet	32.29	37.76
Less : Transfer to Profit & Loss account	4.67	5.47
	<u>27.62</u>	<u>32.29</u>
(c) <b>GENERAL RESERVE</b> As per last Balance Sheet	-	717.86
Less: Set-off against the losses	-	717.86
	<u>-</u>	<u>-</u>
(d) <b>AMALGAMATION RESERVE</b> As per last Balance Sheet	621.49	621.49
	<u>621.49</u>	<u>621.49</u>
(e) <b>SURPLUS/(DEFICIT)</b> As per last Balance Sheet	(880.61)	32.65
Add : Net Profit/(Net Loss) for the current year	(82.53)	(1631.12)
Less: Set-off against General Reserve	-	717.86
<b>Closing Balance</b>	<u>(963.14)</u>	<u>(880.61)</u>
<b>TOTAL</b>	<u>798.05</u>	<u>885.25</u>
<b>3. NON CURRENT LIABILITIES</b>		
<b>LONG TERM BORROWINGS</b>		
<b>SECURED</b>		
(a) <b>Term Loans</b> - from Banks	6997.11	7549.73
- from a Financial Institution	4116.47	4334.97
(i) Term loans are secured by first charge on immovable assets (except those mentioned in para (ii) below), both present and future, by way of equitable mortgage and hypothecation of movable fixed assets of the Company 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 guaranteed personally by the Managing Director and also secured by pledge of equity shares to the extent of 51% of promoters' holding. Term loans are repayable in quarterly installments. Interest rate for TUF Loans is 3% to 9.75% p.a {net of subsidy} (Previous year 3% to 9.75% p.a) {net of subsidy} and for Non-TUF loans is 10% p.a to 14.25%. (Previous Year 10% to 14.75% p.a)		
(ii) One of the term loans amounting to Rs. 1126 lacs (Previous Year Rs. 1240 lacs) availed from a Bank is secured on exclusive charge basis on the specific machinery financed out of the said loan. It is repayable in quarterly installments. Interest Rate-14.25%p.a {linked with base rate} (Previous Year 14.75% p.a). <b>Less : Current Maturities (Refer Note 7)</b>	<u>1368.98</u>	<u>745.40</u>
	<u>9744.60</u>	<u>11139.30</u>
<b>UNSECURED</b>		
<b>DEFERRED PAYMENT LIABILITIES</b> Sales Tax Deferment Loan (Interest free, repayable in yearly installments of varying amounts by August, 2023)	933.02	983.64
Less : Current Maturities (Refer Note 7)	75.84	50.62
	<u>857.18</u>	<u>933.02</u>
<b>TOTAL</b>	<u>10601.78</u>	<u>12072.32</u>

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)**

	As at 31 <sup>st</sup> March, 2014 (Rs. in Lacs)	As at 31 <sup>st</sup> March, 2013 (Rs. in Lacs)
<b>4. DEFERRED TAX LIABILITY (NET)</b>		
DEFERRED TAX LIABILITY		
Depreciation	<b>2245.42</b>	2346.84
Others	<b>(10.38)</b>	13.20
DEFERRED TAX ASSETS		
Unabsorbed Depreciation/Business Losses	<b>(2008.52)</b>	(1757.08)
<b>TOTAL</b>	<b>226.52</b>	<b>602.96</b>
<p>The Company has recognized deferred tax asset on the basis of profitable export/local sale orders on hand. Thus, management is virtually certain that sufficient future taxable income would be available against which brought forward business losses and unabsorbed depreciation would be set off.</p>		
<b>5. CURRENT LIABILITIES - SHORT TERM BORROWINGS SECURED</b>		
<b>WORKING CAPITAL LOANS</b>	<b>7835.59</b>	7602.57
<p>Working Capital Loans stated above and Non-Fund Based limits of Rs. 1559.52 lacs (Previous Year Rs. 2324.02 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-Interest on Packing Credit in Foreign Currency - 3% p.a. to 4% p.a. (Previous Year 3% p.a. to 4% p.a.) and Interest on Rupee Working Capital-12%p.a. to 14% p.a. (Previous Year 12% p.a. to 14% p.a.).</p>		
<b>UNSECURED</b>		
<b>Public Deposits: (Repayable on demand) :</b>		
from Directors	<b>4.20</b>	3.70
from Others	<b>42.20</b>	42.50
<b>TOTAL</b>	<b>7881.99</b>	<b>7648.77</b>
<b>6. CURRENT LIABILITIES - TRADE PAYABLES</b>		
Micro, Small and Medium Enterprises*	-	-
Others	<b>3675.29</b>	5146.57
<b>TOTAL</b>	<b>3675.29</b>	<b>5146.57</b>
*Refer Note No. 26B(9)		

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)**

					As at 31 <sup>st</sup> March, 2014 (Rs. in Lacs)	As at 31 <sup>st</sup> March,2013 (Rs. in Lacs)
<b>7. CURRENT LIABILITIES</b>						
<b>OTHER CURRENT LIABILITIES</b>						
(a) Current maturities of long-term debt:(Refer Note.3)						
Term Loan - from Banks					<b>837.96</b>	509.64
- from a Financial Institution					<b>531.02</b>	235.76
Sales Tax Deferment Loan					<b>75.84</b>	50.62
(b) Unpaid Dividend*					<b>3.23</b>	5.97
(c) Interest Accrued but not Due					<b>14.09</b>	19.50
(d) Other Payables:						
Statutory Dues					<b>220.70</b>	216.88
Advances from Customers					<b>101.56</b>	186.21
<b>TOTAL</b>					<b>1784.40</b>	1224.58
* These figures do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund.						
<b>8. CURRENT LIABILITIES</b>						
<b>SHORT TERM PROVISIONS</b>						
(a) <b>Provision for Employee Benefits</b>						
Compensated Absences					<b>21.05</b>	24.84
Gratuity					<b>238.77</b>	160.72
(b) <b>Others</b>						
Provision for Tax						
(Net of Advance Tax and TDS of Rs.99.89 lacs; Previous Year Rs.108.90 lacs)					<b>15.24</b>	59.31
Provision for Wealth Tax					<b>0.58</b>	0.39
<b>TOTAL</b>					<b>275.64</b>	245.26

<b>9 NON CURRENT ASSETS</b>										
<b>FIXED ASSETS</b>										
<b>(Rs. in lacs)</b>										
	<b>GROSS BLOCK (At Cost or Book Value)</b>				<b>DEPRECIATION / AMORTISATION</b>				<b>NET BLOCK</b>	
	As at 01.04.2013	Additions	Deductions/ Adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deductions/ Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
(a) <b>Tangible Assets</b>										
Land- Freehold	90.88	1.06	-	91.94	-	-	-	-	91.94	90.88
Buildings	5453.22	17.46	-	5470.68	2872.20	167.30	-	3039.50	2431.18	2581.02
Plant and Equipment	24764.91	802.69	633.17	24934.43	13861.99	1201.18	557.31	14505.86	10428.57	10902.92
Electrical Installations	2032.20	3.97	136.68	1899.49	1401.06	93.77	122.44	1372.39	527.10	631.14
Furniture and Fixtures	251.59	5.94	3.61	253.92	176.66	11.04	3.28	184.42	69.50	74.93
Vehicles	199.20	46.35	16.44	229.11	124.33	25.69	13.43	136.59	92.52	74.87
<b>Total</b>	32792.00	877.47	789.90	32879.57	18436.24	1498.98	696.46	19238.76	13640.81	14355.76
(b) <b>Intangible Assets</b>										
Software	254.39	-	-	254.39	251.30	0.65		251.95	2.44	3.09
<b>Total (b)</b>	254.39	-	-	254.39	251.30	0.65	-	251.95	2.44	3.09
<b>Total (a) + (b)</b>	33046.39	877.47	789.90	33133.96	18687.54	1499.63	696.46	19490.71	13643.25	14358.85
(c) <b>Capital Work In Progress</b>										
Plant and Equipment under Installation									79.77	11.88

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)NON CURRENT ASSETS  
FIXED ASSETS

(Rs. in lacs)

	GROSS BLOCK (At Cost or Book Value)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.04.2012	Additions	Deductions/ Adjustments	As at 31.03.2013	As at 01.04.2012	For the year	Deductions/ Adjustments	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012
<b>(a) Tangible Assets</b>										
Land- Freehold	90.88	-	-	90.88	-	-	-	-	90.88	90.88
Buildings	5453.22	-	-	5453.22	2697.68	174.52	-	2872.20	2581.02	2755.54
Plant and Equipment	24331.48	762.55	329.12	24764.91	12912.70	1218.24	268.95	13861.99	10902.92	11418.78
Electrical Installations	2027.69	5.38	0.87	2032.20	1304.82	96.55	0.31	1401.06	631.14	722.87
Furniture and Fixtures	246.62	6.12	1.15	251.59	165.21	12.12	0.67	176.66	74.93	81.41
Vehicles	187.01	16.42	4.23	199.20	108.72	19.38	3.77	124.33	74.87	78.29
<b>Total</b>	32336.90	790.47	335.37	32792.00	17189.13	1520.81	273.70	18436.24	14355.76	15147.77
<b>(b) Intangible Assets</b>										
Software	254.39	-	-	254.39	249.30	2.00	-	251.30	3.09	5.09
<b>Total (b)</b>	254.39	-	-	254.39	249.30	2.00	-	251.30	3.09	5.09
<b>Total (a) + (b)</b>	32591.29	790.47	335.37	33046.39	17438.43	1522.81	273.70	18687.54	14358.85	15152.86
<b>(c) Capital Work In Progress</b>										
Plant and Equipment under Installation									11.88	1.05

	As at 31 <sup>st</sup> March, 2014 (Rs. in Lacs)	As at 31 <sup>st</sup> March, 2013 (Rs. in Lacs)
<b>10. NON CURRENT ASSETS</b>		
<b>NON CURRENT INVESTMENTS</b>		
<b>NON-TRADE INVESTMENTS</b>		
- In Government Securities (Unquoted)		
6% National Savings Certificates*	-	0.05
<b>TOTAL</b>	-	0.05
*Pledged with Sales Tax authorities		
<b>11. NON CURRENT ASSETS</b>		
<b>LONG TERM LOANS AND ADVANCES</b>		
<b>UNSECURED, CONSIDERED GOOD UNLESS OTHERWISE STATED</b>		
<b>(a) Capital Advances</b>	29.24	27.83
<b>(b) Security Deposits:</b>		
Electricity Deposits	349.66	344.82
Other Deposits	7.36	5.28
<b>(c) MAT Credit Entitlement</b>	249.54	401.94
<b>(d) Other Loans and Advances:</b>		
Prepaid Expenses	8.34	6.79
<b>TOTAL</b>	644.14	786.66
<b>12. NON CURRENT ASSETS</b>		
<b>(OTHER NON CURRENT ASSETS)</b>		
Unsecured, considered good unless otherwise stated		
VAT Receivable	512.07	337.07
Less: Shown under Other Current Assets (Note 17)	(307.67)	(21.18)
Margin Money Deposits with a maturity period of more than 12 months	-	6.91
<b>TOTAL</b>	204.40	322.80

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)**

	As at 31 <sup>st</sup> March, 2014 (Rs. in Lacs)	As at 31 <sup>st</sup> March, 2013 (Rs. in Lacs)
<b>13. CURRENT ASSETS - INVENTORIES (Valued at lower of cost and net realisable value)</b>		
(a) Raw Materials	3476.79	4366.53
(b) Work-in-Progress	1009.19	1126.86
(c) Finished Goods	2473.41	1712.50
(d) Traded Goods	281.26	219.58
(e) Waste Stock	27.94	54.13
(f) Stores and Spares	183.74	152.61
<b>TOTAL</b>	<b>7452.33</b>	<b>7632.21</b>
<b>14. CURRENT ASSETS TRADE RECEIVABLES (Outstanding exceeding six months from the due date)</b>		
Unsecured, considered good	29.61	294.58
Unsecured, considered doubtful	11.59	21.97
Less: Provision for Doubtful Debts	(11.59)	(21.97)
	29.61	294.58
<b>OTHERS</b>		
Unsecured, considered good	2734.70	4131.18
<b>TOTAL</b>	<b>2764.31</b>	<b>4425.76</b>
<b>15. CURRENT ASSETS CASH AND BANK BALANCES CASH AND CASH EQUILENTS</b>		
(a) Balances with Banks:		
In Current Accounts	668.87	36.54
In Unpaid Dividend Accounts	3.23	5.97
(b) Cash on hand	16.90	11.80
<b>OTHERS</b>		
(a) Deposits with original maturity of less than 12 months	15.48	14.67
(b) Margin Money Deposits with original maturity of less than 12 months	192.96	156.34
<b>TOTAL</b>	<b>897.44</b>	<b>225.32</b>
<b>16. CURRENT ASSETS SHORT TERM LOANS AND ADVANCES Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received	292.22	494.08
Advances to suppliers	164.77	61.39
<b>TOTAL</b>	<b>456.99</b>	<b>555.47</b>
<b>17. CURRENT ASSETS OTHER CURRENT ASSETS Unsecured, considered good</b>		
(a) Export Incentive Receivable	879.20	594.05
(b) Interest Rebate Receivable	240.73	251.10
(c) Interest accrued on Deposits/Investments	31.48	30.36
(d) Fixed Assets held for Disposal	9.65	9.66
(e) Balances with Excise Authorities	111.01	110.59
(f) Balances with Sales Tax Authorities	337.22	50.25
(g) Power Rebate receivable	246.71	215.66
<b>TOTAL</b>	<b>1856.00</b>	<b>1261.67</b>

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)**

	For the Year Ended 31 <sup>st</sup> March, 2014 (Rs.in Lacs)	For the Year Ended 31 <sup>st</sup> March,2013 (Rs.in Lacs)
<b>18. REVENUE FROM OPERATIONS</b>		
<b>Sale of Products</b>		
(i) Manufactured Goods	31187.29	28666.65
(ii) Traded Goods	21748.15	11124.37
<b>Other Operating Revenues:</b>		
(i) Export Incentives	1221.07	770.04
(ii) Waste Sales	2021.86	1665.03
<b>TOTAL</b>	<b>56178.37</b>	<b>42226.09</b>
<b>19. OTHER INCOME</b>		
Interest Income	104.90	167.90
Profit on Sale of Fixed Assets(Net)	20.35	-
Insurance Claims	10.49	19.93
Provision no longer required written back	6.26	10.83
Miscellaneous Income	93.90	56.30
<b>TOTAL</b>	<b>235.90</b>	<b>254.96</b>
<b>20. COST OF MATERIALS CONSUMED</b>		
Opening Stock	4366.53	5108.15
Add: Purchases	18933.92	16385.03
Less: Closing Stock	3476.79	4366.53
<b>TOTAL</b>	<b>19823.66</b>	<b>17126.65</b>
<b>Particulars of Materials Consumed</b>		
Cotton	16052.31	13360.67
Yarn	3771.35	3765.98
<b>TOTAL</b>	<b>19823.66</b>	<b>17126.65</b>
<b>21. PURCHASES OF STOCK IN TRADE</b>		
Cotton Yarn	20953.20	10611.31
<b>TOTAL</b>	<b>20953.20</b>	<b>10611.31</b>
<b>22. CHANGES IN INVENTORY</b>		
<b>Opening Stock:</b>		
Finished Goods	1932.08	2638.40
Work in Progress	1126.86	940.66
Waste Stock	54.13	45.44
<b>SUB TOTAL</b>	<b>3113.07</b>	<b>3624.50</b>
<b>Closing Stock:</b>		
Finished Goods	2754.67	1932.08
Work in Progress	1009.19	1126.86
Waste Stock	27.94	54.13
<b>SUB TOTAL</b>	<b>3791.80</b>	<b>3113.07</b>
<b>TOTAL</b>	<b>(678.73)</b>	<b>511.43</b>



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014 (Contd.,)

	For the Year Ended 31 <sup>st</sup> March, 2014 (Rs.in Lacs)	For the Year Ended 31 <sup>st</sup> March, 2013 (Rs.in Lacs)
<b>23. EMPLOYEE BENEFITS EXPENSE</b>		
(a) Salaries and Incentives	<b>3007.38</b>	2609.40
(b) Contributions to Provident and Other Funds	<b>322.60</b>	268.03
(c) Staff Welfare Expenses	<b>177.81</b>	166.96
<b>TOTAL</b>	<b>3507.79</b>	3044.39
<b>24. FINANCE COST</b>		
Interest Expense	<b>2160.46</b>	2067.50
Other Borrowing Costs	<b>242.72</b>	230.36
<b>TOTAL</b>	<b>2403.18</b>	2297.86
<b>25. OTHER EXPENSES</b>		
<b>MANUFACTURING EXPENSES:</b>		
Consumption of Stores and Spare Parts	<b>1588.43</b>	1471.94
Power and Fuel	<b>4149.15</b>	4373.68
Processing Charges	<b>70.58</b>	99.02
Other Manufacturing and Operating expenses	<b>192.29</b>	101.49
Repairs to Buildings	<b>90.85</b>	85.25
Repairs to Machinery	<b>597.76</b>	454.72
<b>SUB TOTAL</b>	<b>6689.06</b>	6586.10
<b>ADMINISTRATION AND OTHER EXPENSES:</b>		
Rent	<b>12.44</b>	10.81
Insurance	<b>110.28</b>	101.82
Rates and Taxes	<b>71.26</b>	61.81
Advertisement	<b>2.08</b>	0.76
Commission to Selling Agents	<b>678.14</b>	532.68
Freight Forwarding and Other Expenses	<b>1192.69</b>	984.24
Legal & Professional charges	<b>46.06</b>	54.29
Donation	<b>1.51</b>	0.21
Payment to Auditors #	<b>11.49</b>	10.49
Loss on Sale of assets	<b>-</b>	16.30
Loss on Foreign Exchange Fluctuations (Net)	<b>163.64</b>	106.80
Miscellaneous Expenses	<b>352.53</b>	307.24
<b>SUB TOTAL</b>	<b>2642.12</b>	2187.45
<b>TOTAL</b>	<b>9331.18</b>	8773.55
<b># PAYMENTS TO AUDITORS:-</b>		
-for Statutory Audit	<b>4.00</b>	4.00
-for Tax Audit	<b>0.75</b>	0.75
-for Certification services	<b>4.41</b>	3.73
-for Out of Pocket Expenses	<b>2.33</b>	2.01
<b>TOTAL</b>	<b>11.49</b>	10.49

## NOTES FORMING PART OF ACCOUNTS

### Note 26

GTN Industries Limited has its Registered Office at Chitkul Village, Patancheru Mandal, Medak Dist.,Telangana State. It is engaged in the business of Spinning, Doubling, Processing and Knitting of Yarn. It has production facilities in the state of Telangana State and Maharashtra.

### A) SIGNIFICANT ACCOUNTING POLICIES

#### 1) GENERAL

- a) The financial statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles ('GAAP') in India, the Accounting Standards as notified under Companies (Accounting Standards) Rules, 2006, read with general circular 15/2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, the Provisions of the Companies Act, 1956 and 2013 and on the accounting principle of going concern. Expenses and Income to the extent considered payable and receivable, respectively, are accounted for 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 is made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

#### 2) FIXED ASSETS

- (i) 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 / amortization and impairment loss, if any. Expenditure during construction period in respect of new project/ expansion is allocated to the respective fixed assets on their being ready for intended use.
- (ii) In accordance with AS 28 on 'Impairment of Assets', where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is 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 recognize any decline, other than temporary, in the value of such investments.

#### 4) INVENTORIES

Inventories are valued at lower of cost and net realizable value. Cost of Raw Materials is computed by using "Specific Identification" method and for other inventories by using "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.

**NOTES FORMING PART OF ACCOUNTS (Contd.,)****5) SALES**

Revenue is recognized when the property and all the significant risks and rewards of ownership are transferred to the buyer and no significant uncertainty exists regarding the amount of consideration. Export Sales are inclusive of deemed exports. Export sales are recognized once the Bill of Lading is issued. 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 and 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 31<sup>st</sup> 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.
- 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 benefit retirement plan. The Company contributes to the Scheme with Life Insurance Corporation of India based on actuarial valuation done by them as at the close of the financial year.

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

**NOTES FORMING PART OF ACCOUNTS (Contd.,)****9) FOREIGN CURRENCY TRANSACTIONS**

Transactions denominated in foreign currency are recorded at rates that approximate the exchange rate prevailing on the date of respective transaction.

Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Statement of Profit and Loss of the year. Monetary assets and liabilities in foreign currency, which are outstanding at the year end, are translated at the year end closing exchange rate and the resultant exchange differences are recognized in the Statement of Profit and Loss.

The premium or the discount arising at the inception of the forward exchange contracts related to underlying receivables and payables are amortized as income or expense over the period of the contracts.

**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 realization 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 recognized 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 Management, assets other than Fixed Assets have a value on realization 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) Certain balances in Trade Payables, Other Current Liabilities, Trade Receivables and 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.
- 2) Pursuant to the shareholders' approval, the Company has entered into a Business Transfer Agreement on July 16, 2013, whereby the Company will hive off its Yarn Processing Unit and Knitting Unit as a going concern on Slump sale basis to GTN Engineering (India) Limited (an associate) for a consideration of Rs. 30.50 Crores plus the value of the net current assets on the date of transfer. The approvals of certain lenders, statutory authorities and Corporate Debt Restructuring – Empowered Group (CDR-EG) are in the process of being obtained and consequently, the sale could not be concluded. The management does not expect to incur any loss on such sale.

**NOTES FORMING PART OF ACCOUNTS** (Contd.,)**3) Contingent Liabilities and commitments (to the extent not provided for):****i) Contingent Liabilities-**

Disputed Drawback and Excise Duty (including interest upto the date of demand): Rs.19.36 lacs (Previous Year Rs. 22.04 lacs).-

Disputed Income Tax Interest Rs. 38.92 lacs (Previous Year Rs. Nil).-

Others(Gram Panchayat Tax, Cess on Captive Generation, Non-agricultural Tax, Sewerage Cess etc.) : Rs.107.58 lacs (Previous Year Rs. 103 lacs).

**ii) Commitments-**

Estimated amount of contracts remaining to be executed on capital account and are not provided for: Rs. 223.51 lacs (Previous Year Rs. 305.11 lacs); net of advances of Rs. 29.24 lacs (Previous Year Rs. 27.83 lacs).-

Arrears of Preference Dividend, including Dividend Distribution Tax, Rs. 16.56 lacs (Previous Year Rs. Nil).

**4) a) 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 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
No. of Contracts	36	29
Type	Sell	Sell
US \$ Equivalent (Lacs)	86.62	70.06
INR Equivalent(Lacs)	5411.08	3859.17

**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 <sup>st</sup> March, 2014			31 <sup>st</sup> March, 2013		
	Currency	Equivalent (Lacs)	INR Equivalent (Lacs)	Currency	Equivalent (Lacs)	INR Equivalent (Lacs)
Advances to suppliers	USD	0.900	53.87	USD	0.004	0.24
	EURO	0.182	14.98	EURO	0.005	0.32
	CHF	0.159	8.43	CHF	0.030	1.51
	JPY	10.270	6.29	JPY	6.600	3.38

**NOTES FORMING PART OF ACCOUNTS** (Contd.,)

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

Particulars	31 <sup>st</sup> March, 2014			31 <sup>st</sup> March, 2013		
	Currency	FC Amount (Lacs)	Rupee Equivalent (Lacs)	Currency	FC Amount (Lacs)	Rupee Equivalent (Lacs)
Purchase of goods/Services	USD	14.83	888.07	USD	31.25	1696.20
	EURO	-	-	EURO	3.81	264.80
Loans payable (PCFC)	USD	18.62	1115.49	USD	23.65	1283.95

- b) As a matter of prudence, the Company does not recognize mark to market foreign exchange gain on derivative contracts entered into to hedge the foreign currency risk of future transactions and outstanding as at the year end.

## 5) Value of Imports on CIF basis in respect of:

(Rs. in lacs)

Particulars	For the Year ended 31 <sup>st</sup> March, 2014	For the Year ended 31 <sup>st</sup> March, 2013
Raw Materials	4661.18	4828.03
Stores	65.28	75.50
Capital Goods	445.54	627.20
<b>TOTAL</b>	<b>5172.00</b>	<b>5530.73</b>

## 6) Expenditure in Foreign Currency on account of:

(Rs. in lacs)

Particulars	For the Year ended 31 <sup>st</sup> March, 2014	For the Year ended 31 <sup>st</sup> March, 2013
Agents' Commission	282.77	281.68
Others	80.26	42.91
<b>TOTAL</b>	<b>363.03</b>	<b>324.59</b>

## 7) Earnings in Foreign Exchange:

(Rs. in lacs)

Particulars	For the Year ended 31 <sup>st</sup> March, 2014	For the Year ended 31 <sup>st</sup> March, 2013
Export of goods calculated on FOB basis	34366.10	22994.16

**NOTES FORMING PART OF ACCOUNTS** (Contd.,)**8) Earnings per share:**

(Rs. in lacs)

Particulars		31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2013
<b>Numerator :</b>			
Net Profit/(Loss) as disclosed in Statement of Profit & Loss		<b>(82.53)</b>	(1631.12)
Less: Preference Dividend including Dividend Distribution Tax		<b>16.56</b>	-
Net Profit/(Loss) attributable to the Equity Shareholders		<b>(99.09)</b>	(1631.12)
<b>Denominator :</b>			
Weighted average no. of Equity Shares	Nos.	<b>17540378</b>	17540378
<b>Basic and diluted Earnings Per Share (face value of Rs.10 each)</b>			
<b>Before Exceptional Items</b>	<b>Rs.</b>	<b>(0.56)</b>	(5.03)
<b>After Exceptional Items</b>	<b>Rs.</b>	<b>(0.56)</b>	(9.30)

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

**10) Imported and Indigenous Materials Consumed:**

Particulars	For the Year ended 31 <sup>st</sup> March, 2014		For the Year ended 31 <sup>st</sup> March, 2013	
	Rs. in lacs	%	Rs. in lacs	%
Raw Materials :				
Imported	<b>5856.92</b>	<b>29.55</b>	5264.71	30.94
Indigenous	<b>13966.74</b>	<b>70.45</b>	11861.94	69.06
<b>TOTAL</b>	<b>19823.66</b>	<b>100.00</b>	17126.65	100.00
Components and Spare Parts:				
Imported	<b>70.67</b>	<b>4.45</b>	59.91	4.07
Indigenous	<b>1517.76</b>	<b>95.55</b>	1412.03	95.93
<b>TOTAL</b>	<b>1588.43</b>	<b>100.00</b>	1471.94	100.00

**11) Disclosure in respect of related parties pursuant to Accounting Standard 18:****(A) List of related parties:**

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

**i) ASSOCIATES**

Purav Trading Limited

GTN Engineering (India) Limited

JEL Finance & Investment Limited



**NOTES FORMING PART OF ACCOUNTS** (Contd.,)**ii) KEY MANAGEMENT PERSONNEL AND ENTERPRISES (HAVING COMMON KEY MANAGEMENT PERSONNEL OR THEIR RELATIVES)****Key Management Personnel**

Shri M.K. Patodia - Chairman &amp; Managing Director

**Enterprises / Entities having common Key Management Personnel**

Patcot Company

Perfect Cotton Co.

Standard Cotton Corporation

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

Smt. Bimla Devi Chowdhary—Sister

Smt. Sharada Devi Chowdhary—Sister

**(B) During the year, the following transactions were carried out with related parties:**

(Rs. in lacs)

S. No.	Nature of Transactions	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
1.	<b>Sales, Service and other income:</b> GTN Engineering (India) Limited	<b>941.41</b> (731.76)	- (-)	- (-)
	<b>TOTAL</b>	<b>941.41</b> (731.76)	- (-)	- (-)
2.	<b>Purchase of Goods and Services:</b> Purav Trading Limited	<b>182.75</b> (527.79)	- (-)	- (-)
	Perfect Cotton Co.	-	-	<b>1412.96</b>
	GTN Engineering (India) Limited	<b>(-)</b> (43.93)	(-)	(546.70)
	Standard Cotton Corporation	<b>2591.15</b> (-)	- (-)	- (-)
	<b>TOTAL</b>	<b>2773.90</b> (571.72)	- (-)	<b>1544.84</b> (1389.04)
3.	<b>Interest Paid on Fixed Deposits:</b> Smt. Sharada Devi Chowdhary	- (-)	- (-)	<b>0.78</b> (0.76)
	Smt. Bimla Devi Chowdhary	- (-)	- (-)	<b>1.00</b> (0.99)
	<b>TOTAL</b>	- (-)	- (-)	<b>1.78</b> (1.75)
4.	Managerial Remuneration - Shri M.K. Patodia	- (-)	<b>20.80</b> (20.57)	- (-)

**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.	<b>Fixed Deposits taken:</b>			
	Smt. Sharada Devi Chowdhary	- ( - )	- ( - )	<b>4.30</b> (3.50)
	Smt. Bimla Devi Chowdhary	- ( - )	- ( - )	- (10.00)
	<b>TOTAL</b>	<u>-</u> ( - )	<u>-</u> ( - )	<u><b>4.30</b></u> (13.50)
6.	<b>Fixed Deposits Repaid:</b>			
	Smt. Sharada Devi Chowdhary	- ( - )	- ( - )	<b>4.30</b> (3.00)
	Smt. Bimla Devi Chowdhary	- ( - )	- ( - )	- (10.00)
	<b>TOTAL</b>	<u>-</u> ( - )	<u>-</u> ( - )	<u><b>4.30</b></u> (13.00)
7.	<b>Allotment of Cumulative Redeemable Preference Shares:</b>			
	GTN Engineering (India) Limited	<b>700.00</b> ( - )	- ( - )	- ( - )
	JEL Finance & Investment Limited	<b>300.00</b> ( - )	- ( - )	- ( - )

**(C) Outstanding balances as on 31<sup>st</sup> March, 2014:**

(Rs. in lacs)				
1.	<b>In respect of Sales, Service and other income:</b>			
	GTN Engineering (India) Limited	<b>112.74</b> (696.24)	- ( - )	- ( - )
2.	<b>Loans Received:(Fixed Deposits)</b>			
	Smt. Sharada Devi Chowdhary	- ( - )	- ( - )	<b>7.80</b> (7.30)
	Smt. Bimla Devi Chowdhary	- ( - )	- ( - )	<b>10.00</b> (10.00)
	<b>TOTAL</b>	<u>-</u> ( - )	<u>-</u> ( - )	<u><b>17.80</b></u> (17.30)
3.	<b>In respect of Purchase of goods and services:</b>			
	Purav Trading Limited	<b>42.99</b> (0.60)	- ( - )	- ( - )
	Perfect Cotton Company	- ( - )	- ( - )	<b>119.89</b> (76.34)
	Standard Cotton Corporation	- ( - )	<b>123.09</b> (179.25)	- ( - )

**NOTES FORMING PART OF ACCOUNTS** (Contd.,)

(Rs. in lacs)

S. No.	Nature of Transactions	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
4.	<b>Cumulative Redeemable Preference Shares:</b>			
	GTN Engineering (India) Limited	<b>700.00</b>	-	-
		( - )	( - )	( - )
	JEL Finance & Investment Limited	<b>300.00</b>	-	-
		( - )	( - )	( - )
5.	<b>Guarantees given by:</b>			
	Shri M.K.Patodia	-	<b>19397.77</b>	-
		( - )	(20571.28)	( - )

**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.

**12) Employee Benefit Plans**

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)

	As at 31 <sup>st</sup> March, 2014	As at 31 <sup>st</sup> March, 2013
<b>1. Change in Defined obligation</b>		
Obligation at the beginning of the year	<b>453.68</b>	370.84
Interest cost	<b>36.29</b>	29.66
Current Service cost	<b>27.32</b>	22.50
Benefits paid	<b>44.19</b>	16.78
Actuarial (gain)/loss in obligations	<b>65.57</b>	47.46
<b>Obligation at year end</b>	<b>538.67</b>	453.68
<b>2. Change in Fair value of Planned Assets</b>		
Fair value of planned assets at the beginning of the year	<b>292.96</b>	263.38
Expected return on the planned assets	<b>24.07</b>	24.10
Contributions by the employer	<b>27.06</b>	22.26
Benefits paid	<b>44.19</b>	16.78
Actuarial gain/(loss) on planned assets	-	-
Fair value of planned assets at year end	<b>299.90</b>	292.96
<b>3. Reconciliation or Present Value of the obligation and the Fair value of the Planned Assets</b>		
Liability at year-end	<b>538.67</b>	453.68
Fair value of planned assets at year-end	<b>299.90</b>	292.96
Liability recognized in the balance sheet	<b>238.77</b>	160.72
<b>4. Assumptions</b>		
Discount Rate	<b>8%</b>	8%
Expected Rate of Return on planned assets	<b>8%</b>	8%
Salary Escalation Rate	<b>4% to 6%</b>	4% to 6%

**NOTES FORMING PART OF ACCOUNTS** (Contd.,)

With respect to compensated absences (leave entitlements), liability recognized in the balance sheet as on March 31, 2014 is Rs 21.05 lacs (Previous Year Rs.24.84 lacs).

- 13) 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. 34914.16 lacs (Previous Year Rs. 23501.47 lacs) and local sales of Rs. 19782.84 lacs (Previous Year Rs. 17754.19 lacs).

- 14) a) Certain Land, Buildings, Plant & Machinery and Electrical Installations were revalued as on 31<sup>st</sup> 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 31 <sup>st</sup> March, 2014	As at 31 <sup>st</sup> March, 2013
Land	14.62	14.62
Buildings	407.46	407.46
Plant & Machinery	1254.67	1254.67
Electrical Installations	168.60	168.60

- 15) Loans & Advances in the nature of loans to employees (disclosure pursuant to clause 32 of the listing agreement):

(Rs. in lacs)

Name	Rate of Interest	Amount Outstanding		No. of Equity shares held in the Company	
		As on 31 <sup>st</sup> March, 2014	Maximum Outstanding during the year	As on 31 <sup>st</sup> March, 2013	Maximum during the year
Employees (as per the general policy of the Company)	(NIL) (NIL)	18.34 (8.50)	29.93 (20.04)	-	-

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

- 16) Previous year's figures have been regrouped and rearranged wherever necessary so as to conform to the current year's presentation.

For and on behalf of the Board

**M.K.PATODIA**  
Chairman & Managing Director

**ANJANA PATODIA**

**B.L.SINGHAL**

**M.R.VIKRAM**

**SANJAY PANICKER**

} Directors

**C.R.GANG**  
Chief Financial Officer

**P.PRABHAKARA RAO**  
Company Secretary

Place: Hyderabad  
Date : 17<sup>th</sup> May, 2014




**GTN INDUSTRIES LIMITED**

<b>CASH FLOW STATEMENT</b>	<b>For the Year Ended 31<sup>st</sup> March, 2014 (Rs.in Lacs)</b>	<b>For the Year Ended 31<sup>st</sup> March, 2013 (Rs.in Lacs)</b>												
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>														
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	<b>(420.97)</b>	<b>(2149.71)</b>												
Adjustments for:														
Depreciation	<b>1494.96</b>	1517.34												
Interest Charged	<b>2403.18</b>	2432.81												
Loss/(Gain) on sale of assets	<b>(20.35)</b>	16.30												
Sundry Balances written back	<b>(6.26)</b>	(10.83)												
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>3450.56</b>	1805.91												
Adjustment for:														
Trade and other receivables	<b>1293.18</b>	(3343.11)												
Inventories	<b>179.88</b>	1267.12												
Trade Payables	<b>(1524.47)</b>	1977.04												
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3399.15</b>	1706.96												
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>														
Purchase of Fixed Assets	<b>(877.47)</b>	(790.47)												
Sale of Fixed Assets	<b>110.12</b>	45.17												
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(767.35)</b>	(745.30)												
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>														
Proceeds from Long Term Borrowings (Net)	<b>(771.12)</b>	144.69												
Proceeds from Short Term Borrowings (Net)	<b>182.60</b>	568.29												
Preference Share Capital receipt	<b>1000.00</b>	-												
Interest paid	<b>(2408.59)</b>	(2432.75)												
<b>NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>(1997.11)</b>	(1719.77)												
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>634.69</b>	(758.11)												
<b>CASH &amp; CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR</b>	<b>54.31</b>	812.42												
<b>CASH &amp; CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>	<b>689.00</b>	54.31												
<p>Note: 1. The above cash flow statement has been prepared by using the indirect method setout in Accounting Standard 3 - on Cash Flow Statements as defined in Accounting Standards notified under Companies (Accounting Standards) Rules, 2006.</p> <p>2. Cash and Cash Equivalents include:</p> <table> <tr> <td>Cash and Bank Balances</td><td><b>897.44</b></td><td>225.32</td></tr> <tr> <td>Less : Deposits with original maturity of less than 12 months</td><td><b>15.48</b></td><td>14.67</td></tr> <tr> <td>Less : Margin Money Deposits with original maturity of less than 12 months</td><td><b>192.96</b></td><td>156.34</td></tr> <tr> <td></td><td><b>689.00</b></td><td>54.31</td></tr> </table> <p>3. Previous year's figures have been regrouped wherever necessary.</p>			Cash and Bank Balances	<b>897.44</b>	225.32	Less : Deposits with original maturity of less than 12 months	<b>15.48</b>	14.67	Less : Margin Money Deposits with original maturity of less than 12 months	<b>192.96</b>	156.34		<b>689.00</b>	54.31
Cash and Bank Balances	<b>897.44</b>	225.32												
Less : Deposits with original maturity of less than 12 months	<b>15.48</b>	14.67												
Less : Margin Money Deposits with original maturity of less than 12 months	<b>192.96</b>	156.34												
	<b>689.00</b>	54.31												
As per our attached report of even date For <b>LODHA &amp; CO.,</b> Chartered Accountants	For and on behalf of the Board													
<b>A.M. HARIHARAN</b> Partner	<b>C.R.GANG</b> Chief Financial Officer	<b>M.K.PATODIA</b> Chairman & Managing Director												
	<b>P.PRABHAKARA RAO</b> Company Secretary	<b>ANJANA PATODIA</b>												
		<b>B.L.SINGHAL</b>												
		<b>M.R.VIKRAM</b>												
		<b>SANJAY PANICKER</b>												
Place : Mumbai Date : 17 <sup>th</sup> May, 2014	Place : Hyderabad Date : 17 <sup>th</sup> May, 2014	Directors												

1. Please complete this attendance slip and hand it over at the entrance of the meeting hall.
2. Members are informed that no duplicate slips will be issued at the venue of the meeting and are requested to bring this slip for the meeting.

## FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1	Name of the Company	GTN INDUSTRIES LTD
2	Annual Financial statements for the year ended	31 <sup>st</sup> March, 2014
3	Type of Audit observation	Unqualified
4	Frequency of observation	N A
5	To be signed by:	
	<ul style="list-style-type: none"> <li>• CEO/Managing Director</li> </ul>	M.K.Patodia 
	<ul style="list-style-type: none"> <li>• CFO</li> </ul>	C.R.Gang 
	<ul style="list-style-type: none"> <li>• Auditor of the Company</li> </ul>	M/s. Lodha & Co, 
	<ul style="list-style-type: none"> <li>• Audit Committee Chairman</li> </ul>	B.L.Singhal 