

21ST **ANNUAL REPORT** 2011 / 2012





Board of Directors

| | |
|------------------|--|
| B K Patodia | Chairman |
| N K Bafna | |
| B L Singhal | |
| R Rajagopalan | |
| Prem Malik | Additional Director (w.e.f 15.05.2012) |
| Rajen K Mariwala | |
| Yoshikazu Ono | Nominee of ITOCHU Corporation |
| Keisuke Oba | Alternate to Yoshikazu Ono |
| V.Viswanathan | Nominee of KSIDC (w.e.f 19.07.2011) |
| Umang Patodia | Managing Director |

Company Secretary Abhilash N A

Bankers & Financial Institution

Central Bank of India
 State Bank of India
 Export-Import Bank of India
 State Bank of Travancore
 IDBI Bank Limited
 The Karur Vysya Bank Limited
 Oriental Bank of Commerce
 Canara Bank
 Bank of Maharashtra

Auditors M/s. M S Jagannathan & Visvanathan,
 [Chartered Accountants], Coimbatore.

Legal Advisors M/s. Menon & Pai, Kochi

Registered Office 3rd Floor, Palal Towers, Ravipuram
 M G Road, Ernakulam, Kochi 682 016

Corporate Office 43, 4th Floor, Mittal Chambers,
 228, Nariman Point, Mumbai 400 021



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PATSPIN INDIA LIMITED

NOTICE

NOTICE is hereby given that the **TWENTY FIRST** Annual General Meeting of **PATSPIN INDIA LIMITED** will be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi – 682 016 at 9.30 a.m on Monday, the 13th day of August, 2012 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri.B.L Singhal, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. Rajen K Mariwala, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

“RESOLVED THAT Shri Prem Malik, who was appointed as an Additional Director of the Company with effect from 15th May,2012 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 read with Article 95 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a member in writing and also a deposit of ₹500/- from him signifying his intention to propose the candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company with effect from the date of this Annual General Meeting”

6. 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 section 198, 269, 302, 309, 310 read with schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to the approval of such other authorities including Central Government, as may be required, the consent of the company be and is hereby accorded to the remuneration and perquisites payable to Shri Umang Patodia, Managing Director with effect from April 1, 2012, as recommended by the Remuneration Committee of the Board of Directors and as approved by Board of Directors and as set out in the Explanatory Statement annexed to the Notice convening this meeting and as further set out in the draft agreement placed before this meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to the “Board” which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the same subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act,1956 including any statutory re-enactment thereof for the time being in force or as may hereinafter be made by the Central Government in that behalf from time to time or any amendments thereto in such manner as may be agreed to between the Board and Shri Umang Patodia, Managing Director.”

“FURTHER RESOLVED THAT that pursuant to the provisions

of Sections 198, 269, 309 and other applicable provisions, if any, of the Act, the remuneration payable to Shri. Umang Patodia by way of salary, perquisites, commission and other allowance shall not in any event exceed 5% of the net profits of the Company in that financial year”.

“FURTHER RESOLVED THAT in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Shri. Umang Patodia, the remuneration, perquisites and other allowances shall be governed by the limits prescribed in Section II of Part II of Schedule XIII to the Act”.

“FURTHER RESOLVED THAT Shri Umang Patodia shall not be liable to retire by rotation.”

AND

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

7. 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 Section 80(1) and Section 81(1A) and other applicable provisions, if any, of the Companies Act,1956 and subject to such approvals, consents as may be necessary, consent of the company be and is hereby accorded to the Board or its Committee to issue Redeemable Preference Shares of Rs 100/- each (Rupees hundred only) at par in one or more tranches on a preferential basis to the Company’s Bankers and Financial Institution (hereinafter referred to as “Lenders”) under the proposed Corporate Debt Restructuring (CDR) Scheme , credited as fully paid up, amount not exceeding Rs 1500 lacs (Rupees One Thousand Five Hundred Lacs only) under the Scheme ,on such terms and conditions as may be mutually agreed between the Company and the lenders”.

“FURTHER RESOLVED that the Redeemable Preference shares outstanding at any point of time shall not exceed Rs 2500 lacs (Rupees Two Thousand Five Hundred Lacs only)”.

“FURTHER RESOLVED 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 in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue or allotment and redemption from time to time as it may in its absolute discretion deem fit”.

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

“RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof) for creating such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties of the Company wheresoever situate, both present and future and of conferring power to enter upon and to take possession of the assets of the Company in certain events, to or in favour of Export Import Bank of India (Exim Bank) and State Bank of Travancore (SBT) to secure on pari passu first charge basis for ;

- (i) the term loan of ₹20 crores lent and advanced by Export Import Bank of India (Exim Bank) to the Company;
- (ii) the term loan of ₹15 crores lent and advanced by State Bank of Travancore (SBT) to the Company;

NOTICE (Contd.)

and to secure on pari passu second charge basis for;

- (a) Additional Working Capital limits of ₹3150 lacs lent and advanced by Central Bank of India (CBI) to the Company;
- (b) Additional Working Capital limits of ₹1155 lacs lent and advanced by State Bank of Travancore (SBT) to the Company;
- (c) Additional Working Capital limits of ₹425 lacs lent and advanced by IDBI Bank Ltd (IDBI Bank) to the Company;
- (d) Additional Working Capital limits of ₹250 lacs lent and advanced by Karur Vysya Bank Limited (KVB) to the Company;

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

By Order of the Board
For **PATSPIN INDIA LIMITED**

ABHILASH N.A

Company Secretary

Place : Kochi

Date : 29th June,2012

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 INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto and forms part of the Notice.
3. The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Saturday, 4th August, 2012 to Monday, the 13th August, 2012 (both days inclusive) for the purpose of the Annual General Meeting.
4. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended with effect from 31st October 1998, dividends for the financial year ended 31st March 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same under sub section (1) of the said Section will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government established under Section 205C of the Act. As per Section 205A(5) of the Companies Act, 1956, Dividend for the Financial Year upto 31st March, 2003 have been transferred by the Company to the Investor Education and Protection Fund (IEPF), established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such Unclaimed Dividend when due for transfer to the said Fund with reference to dividend for the financial year ended 31st March, 2005 and thereafter, is given below:

| Financial year Ended | Date of declaration of Dividend | Last date for claiming unpaid Dividend | Due date for transfer to IEPF |
|----------------------|---------------------------------|--|-------------------------------|
| 31.3.2005 | 29.7.2005 | 28.7.2012 | 27.8.2012 |
| 31.3.2006 | 28.7.2006 | 27.7.2013 | 26.8.2013 |
| 31.3.2007 | 26.7.2007 | 25.7.2014 | 24.8.2014 |

Shareholders who have not so far encashed the Dividend Warrant(s) are requested to seek issue of duplicate warrant(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 after a period of 7 (Seven) years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

5. Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and / or amount payable in respect of the shares shall vest in the event of the death of the Shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination form. The facility of nomination is not available to non-individual Shareholders such as Body Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trust and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s.Integrated Enterprises (India) Limited.
6. Disclosure relating to particulars of Cost Auditor as per general Circular No.15/2011 dated 11th April, 2011 for the year ended 31.03.2011.

| Name | M/s STR & Associates |
|---------------------------------------|---|
| Address | Mr.S.T.Rengarajan, STR & Associates, 37 &38, Kaveri Nagar, Srirangam, Trichy - 620 006. Ph: 0431 6547726, 2432224 e mail ID's : strengarajan@hotmail.com strassociates@rediffmail.com |
| Due date for filing Cost Audit Report | 30.09.2011 |
| Actual date of filing | 23.09.2011 |

REQUEST TO THE MEMBERS:

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least 7 (Seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the 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.
3. All communications relating to shares including change in their address are to be addressed to the Company's Share Transfer Agents M/s.Integrated Enterprises (India) Ltd.,2nd Floor, Kences Towers, No.1, Ramakrishna Street, T Nagar, Chennai-600017, Tel: 044 28140801-803; E-Mail: corpser@integratedindia.in.
4. Members who hold shares in physical forms are requested to dematerialise their holdings for facilitating the transfers of company's equity shares in all stock exchanges connected to the depository system.

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT / REGULARISATION PURSUANT TO SECTION 257 OF THE ACT (IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

| | | | |
|---------------------------------------|---|--|--|
| Name of Director | Shri. B.L Singhal | Shri. Rajen K Mariwala | Shri Prem Malik |
| Date of Birth | 15.04.1947 | 04.09.1962 | 03.02.1942 |
| Date of appointment | 20.06.2000 | 21.01.2006 | 17.12.2005 |
| Qualifications | B.Com, FCA | BTech Chemical Engineering, M Tech Chemical Engineering | Post Graduate, Punjab University |
| Expertise in specific functional area | Shri B.L Singhal, aged 65 years is a Graduate in Commerce and Fellow member of the Institute of Chartered Accountants of India (ICAI) and Senior Partner of M/s B.L Singhal & Co., Chartered Accountants, Kolkata. He has vast experience in Finance, Company Law matters besides proficiency in Accountancy. | Shri Rajen K Mariwala ,aged 50 years, is a Bachelor of Chemical Engineering (B Tech Chem. Eng.) from A.C College of Technology,Anna University,Chennai, Tamilnadu. He has also secured Masters Degree in Chemical Engineering (M Chem. Engg.) from Cornell University,USA, Ithaca New York.Besides these formal Degrees, Shri Rajen K Mariwala keeps abreast of recent developments in Management Philosophy & Science by annually attending continuing educational courses at Wharton School of Business. | Shri. Prem Malik, aged 70 years, is a post graduate from Punjab University and is having over 4 decades of experience in textiles and clothing. He had worked as Executive Director of main Board of M/s. Mafatal Fine Spinning & Manufacturing Company Limited. Presently, he is a Textile Consultant/Advisor. He is the Deputy Chairman of Confederation of Indian Textile Industry and also Director on various forums viz. The Synthetic Rayon Textile Export Promotion Council etc. |
| Shareholding in the Company. | 6460 Equity Shares of ₹10 each. | 21300 Equity Shares of ₹10 each. | None |

Details of other Directorship:-

| Name of Director | Name of the Company | Position held | Committee type | Membership status |
|-----------------------|--|-----------------|---------------------------------|--------------------------|
| Shri. B.L Singhal | 1) GTN Textiles Ltd | Director | Audit Shareholders Remuneration | Chairman Member Chairman |
| | 2) GTN Industries Ltd | Director | Audit Shareholders | Chairman Member |
| | 3) Prime Urban Development India Ltd | Director | Audit Shareholders | Chairman Member |
| | 4) GTN Enterprises Limited | Director | Remuneration | Chairman |
| | 5) ATL Textile Processors Limited | Director | None | None |
| | 6) Priti Credit Pvt. Limited | Director | None | None |
| | 7) BLS Securities Pvt. Limited | Director | None | None |
| | 8) M B Credit Pvt. Ltd | Director | None | None |
| Shri Rajen K Mariwala | 1) Marico Ltd | Director | Audit Shareholders | Member Member |
| | 2) Hindustan Polyamides and Fibers Limited | Director | None | None |
| | 3) Kaya Ltd | Director | None | None |
| | 4) Scientific Precision Pvt Ltd | Director | None | None |
| | 5) Mariwala Estates Private Limited | Director | None | None |
| | 6) Artic Investments & Trading Private Ltd | Director | None | None |
| | 7) Rajanjali Estates Private Limited | Director | None | None |
| | 8) Village Laundry Services Inc. | Director | None | None |
| Shri Prem Malik | 1) GTN Textiles Ltd | Director | Audit Shareholders Remuneration | Member Member Member |
| | 2) Gyscoal Alloys Ltd | Director | None | None |
| | 3) Spentex Industries Ltd | Director | Audit | Member |
| | 4) Indo Count Industries Ltd | Director | None | None |
| | 5) Four Seasons Residency Ltd | Director | None | None |
| | 6) Alder Trading Co. Pvt Ltd | Director | None | None |
| | 7) Smillesville Care Pvt Ltd | Director | None | None |
| | 8) CLC Textiles Park Pvt.Ltd | Director | None | None |
| | 9) Chhindwara Infrastructure Pvt Ltd | Director | None | None |
| | 10) Confederation of Indian Textile Industry | Deputy Chairman | None | None |
| | 11) The Synthetic Rayon Textile Export Promotion Council | Director | None | None |

By Order of the Board
For **PATSPIN INDIA LIMITED**

Place : Kochi
Date : 29th June,2012

ABHILASH N.A
Company Secretary

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

ITEM No.5:

Shri Prem Malik was appointed as an Additional Director w.e.f. 15th May,2012 in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 95 of the Articles of Association of the Company.

Pursuant to Section 260 of the Companies Act, 1956, the above Director holds office up to the date of the ensuing Annual General Meeting. In this regard the Company has received notice in writing from a member of the company and also a deposit of ₹500 from him proposing his candidature for appointment as Director of the Company in accordance with the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956.

The Board recommends resolution under Item No. 5 to be passed as an ordinary resolution.

None of the Directors, except Shri Prem Malik is concerned or interested in this resolution.

ITEM No.6:

The present term of office of Shri Umang Patodia as Managing Director will expire on 3rd August, 2014. Remuneration approved to Shri Umang Patodia, Managing Director pursuant to Schedule XIII of the Companies Act,1956 was for a period of three years from 1st April,2009 to 31st March, 2012.

In order to determine remuneration payable to Shri Umang Patodia, Managing Director for his balance tenure, the Remuneration Committee constituted by the Board had met on 26.4.2012 and approved and recommended to retain the same remuneration package for his balance tenure from 1st April,2012 to 3rd August, 2014, in accordance with Schedule XIII to the Companies Act, 1956.

In terms of Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Notification No.GSR36(E) dated 16th January 2002, where in any financial year, during the currency of the tenure of the managerial person, a company has no profits or its profits are inadequate, it may pay remuneration by way of Salary, Dearness Allowance, Perquisites and any other allowance in excess of ₹2,00,000/-, per month but not exceeding ₹4,00,000/- per month or exceeding ₹4,00,000/- per month with prior approval of the Central Government, provided;

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

Presently, Shri. Umang Patodia is drawing a monthly salary of ₹380000/- plus usual perquisites in the scale of ₹370000-

10000-390000. Under his able leadership, the company has recorded significant growth for the past few years. The Committee, therefore, unanimously recommended to retain the same remuneration package to Shri. Umang Patodia, Managing Director for his balance tenure from 1st April, 2012 to 03.08.2014, as set out below:

a) Salary:

₹ 3,80,000/- per month in the Scale ₹370000-10000-390000 effective from 1st April, 2012 to 03.08.2014.

b) Commission:

Subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, such percentage of the Net Profit of the Company or such quantum as may be fixed by the Board of Directors for each financial year not exceeding 2% of the Net Profits of the Company, each year, restricted to an overall limit of ₹48 lacs per annum.

c) Perquisites as follows:

- (i) Housing: Rent free accommodation will be provided to the appointee for which actual amount of lease rental paid or payable by the Company or 10% of the salary, whichever is lower, shall be recovered. In case no accommodation is provided by the Company, House Rent Allowance, subject to a ceiling of 60% of the appointees salary shall be paid. In addition, the appointee shall be allowed Company owned furniture and fixtures, if required.
- (ii) The expenditure incurred by the appointee on gas, electricity and water shall be reimbursed by the Company.
- (iii) All Medical Expenses incurred by the appointee for self and his family shall be reimbursed.
- (iv) Leave Travel Concession for the appointee and his family will be allowed once in a year as per the Rules of the Company.
- (v) Fees of Clubs : Subject to a maximum of 2 Clubs. This will not include admission and life membership fees.
- (vi) Personal Accident Insurance : As per Rules of the Company.
- (vii) Contribution to Provident Fund, Superannuation or Annuity Fund to the extent the same are not taxable under the Income-Tax Act.
- (viii) Gratuity : As per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company, whichever is higher.
- (ix) Provision of Car with driver and telephone at the residence for use of Company's business.
- (x) Encashment of Leave as per Rules of the Company.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 (Contd.)

d) Overall Remuneration:

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309, and other applicable provisions of the Act read with Schedule XIII to the said Act, as may for the time being in force.

e) Minimum Remuneration:

In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary, commission and perquisites shall be governed by the limits prescribed under the Section II of Part II of Schedule XIII to the Act.

Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members in general meeting is required to be obtained with regard to the remuneration as set out in Item No.5 of the accompanying notice.

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

Shri. B.K Patodia and Shri Umang Patodia being related to each other is deemed to be interested in the resolution mentioned in Item no.6 of the Notice.

None of the other directors of the company is in any way concerned or interested in the resolution.

Information required to be disclosed in terms of Notification No. GSR 36(E) dated 16.1.2002 of Schedule XIII to the Companies Act, 1956:-

I. General Information:

- i) Nature of the industry:
Textile Industry – the company is mainly engaged in manufacture and exports of cotton yarn in the segment of medium, fine and superfine combed yarns.
- ii) Date or expected date of commencement of Commercial Production:
The Commercial Production has commenced during January 1994.
- iii) In case of new companies, expected date of commercial activities as per Project approved by financial institutions appearing in the prospectus.
Not applicable.

iv) Financial Performance:

| (₹ in lacs) | | | |
|--------------------------------|---------|---------|---------|
| Particulars | 2011-12 | 2010-11 | 2009-10 |
| Sales | 42611 | 42498 | 30254 |
| Other Income | 59 | 355 | 100 |
| Operating Profit | (8445) | 8007 | 3450 |
| Interest | 2809 | 2130 | 2061 |
| PBDT | (5636) | 5877 | 1389 |
| Profit Before Tax | (3622) | 3892 | (611) |
| Profit After Tax | (2354) | 2534 | (407) |
| Net Profit | (2354) | 2534 | (407) |
| Amount of Equity Dividend Paid | Nil | Nil | Nil |
| Rate of Dividend Declared (%) | Nil | Nil | Nil |

The Effective Capital of the company based on the Audited Accounts for the year ended 31.3.2012 is ₹246 crores.

The Company has not made any default in the repayments of its dues (including Public Deposits) or interest payments thereon. The Company has not issued any debentures.

v) Export Performance and Net foreign Exchange contributions:

| (₹ in Lacs) | |
|---|-----------------|
| Financial Year | Export Turnover |
| 2009-2010 | 14960 |
| 2010-11 | 21820 |
| 2011-12 | 22967 |
| The Company does not have any Foreign Exchange Collaboration. | |

vi) Foreign Investments or Collaborators, if any: the Company does not have any foreign investments or collaborators.

II. Information about the appointee: Shri. Umang Patodia

Vide Item No.5 of the Notice of this Annual General Meeting of the company, the approval of the members is being sought for re-fixing the remuneration of Shri. Umang Patodia, Managing Director effective from 1st April 2012 for the balance tenure to 03.08.2014. Shri. Umang Patodia is a Citizen of India, 42 years of age. He is a Commerce Graduate and has over two decades of experience in the textile business and has a successful presence in the textile business segment. He is actively involved in the day to day management of the company. He plays a pivotal role in policy matters as well as strategic planning and has also been instrumental in the project implementation, start up and operations of the company.He is the past Chairman of CII -Kerala State Council. He is presently Committee Member of CII State and Southern Region, Confederation of Indian Textile Industry, Texprocil, Southern India Mills Association.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 (Contd.)

In the year 2000, he was nominated by CITI New Delhi, to the "YOUNG ENTREPRENEURS GROUP" of International Textile Manufacturers' Federation based at Zurich, and in October 2002, the group nominated him as their Vice Chairman. Mr. Umang Patodia, who pioneered the Young Entrepreneurs Group during 2003 within CITI served as its founder Chairman till September 2005. He is also a Member and Education Chair of Young Presidents Organization (YPO) Kerala Chapter.

During the financial year 2011-2012, he was paid the following remuneration:

| (₹ in lacs) | | | | |
|-------------|------------|-------------|---------------------------------|-------|
| Salary | Commission | Perquisites | P F / Gratuity / Superannuation | Total |
| 44.40 | - | 0.59 | 14.15 | 59.14 |

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

III. Other Information:

The Directors Report and the Management Discussion and Analysis forming part of the Annual Report mention in detail "other information" as required under Schedule XIII as per the notification no. GSR 36(E) dated 16.01.2002.

IV. Disclosures:

The requisite disclosures of remuneration package etc. have been made in the Report on Corporate Governance which form part of the Annual Report.

The draft agreement referred to in the resolution would be available for inspection for members at the Registered Office of the Company on any working day between 11.a.m and 1.00 pm prior to the date of the meeting.

Shri. B.K Patodia and Shri Umang Patodia being related to each other is deemed to be interested in the resolution mentioned in Item no.6 of the Notice.

None of the other directors of the company is in any way concerned or interested in the resolution.

The terms and conditions mentioned in Item No 6 of the Notice may be taken as abstract of the agreement to be made by the Company with Shri Umang Patodia ,pursuant to Section 302 of the Companies Act, 1956.

Your Directors recommend this resolution for approval.

ITEM No.7:

Your Company has incurred heavy losses during FY 2011-12 on account of various adverse factors, which also were responsible for severe crisis faced by the textile industry for more than a year. The situation has been reported by your Directors in detail in the "Directors' Report" and "Management Discussion and Analysis Report", forming part of the Annual Report. The surplus cash earned by your Company for the previous financial year 2010-11 was used to service the debts i.e. interest and principal, as per the repayment schedule during 2011-12, in spite of low EBITDA.

Since the year under review reported negative cash accruals and further, the situation for current financial year 2012-13 being uncertain, your company has approached CDR Cell for a Debt Restructuring of some of the major term loans under the Corporate Debt Restructuring (CDR) mechanism. As per CDR guidelines, for the Bank to classify the account as Standard Asset, it is necessary that there is no diminution in the fair value of Loans/Advance before and after restructuring, for which the Net Present Value has to be protected considering the "proposed repayment schedule/interest rates" vis-à-vis "current repayment schedule and interest rates".

Your Directors, therefore, propose to issue Redeemable Preference Shares of an amount not exceeding Rs. 1500 lacs (Rupees one thousand five hundred lacs only) on such terms and conditions as may be mutually agreed upon by the company and the lenders, the actual amount of which will be firmed-up during finalization of the scheme. The Redeemable Preference Shares outstanding at any point of time shall not exceed Rs 2500 lacs (Rupees two thousand five hundred lacs only) including 7 lacs Non Cumulative Redeemable Preference Shares of Rs 100 each aggregating Rs 700 lacs, already issued to the Promoters and their Associates.

None of the Directors of the company is in any way concerned or interested in the resolution.

Your Directors recommend this resolution for approval.

ITEM No.8:

The Company has been availed Term Loans of ₹ 20 crores and ₹15 Crores respectively by Export Import Bank of India (Exim Bank) and State Bank of Travancore to part finance modernization and expansion plans under the restructured TUF Scheme. As per the terms and conditions, the said financial assistance are to be secured by way of pari passu First charge on the immovable properties of the company, both present and future .

The Company has also been availed additional Working Capital Financial Assistance from Central Bank of India (CBI), State Bank of Travancore (SBT), IDBI Bank Limited (IDBI Bank),and Karur Vysya Bank Limited (KVB). This financial assistance are to be secured by way of pari passu second charge on the immovable properties of the company, both present and future.

Hypothecation or mortgage does not amount to disposal of undertaking. The Board/Committee propose to create equitable mortgage in favour of Exim Bank, SBT and Working Capital Bankers for the above said financial assistance ranking pari passu in all respects with the existing mortgage on the Company's property and assets created in favour of Banks/Financial Institution for the loans granted by them to the company.

Copies of the Sanction Letters from the Banks are open for inspection at the registered office of the Company between 11.a.m and 2.p.m on any working day prior to the date of the meeting.

None of the Directors is interested or concerned in this resolution.

Your Directors recommend this resolution for approval.

By Order of the Board
For **PATSPIN INDIA LIMITED**

Place : Kochi
Date : 29th June,2012

ABHILASH N.A
Company Secretary

PATSPIN INDIA LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors present the **TWENTY FIRST** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2012.

FINANCIAL RESULTS

(₹ in lacs)

| Particulars | Year ended | |
|---|---------------|-----------|
| | 31.3.2012 | 31.3.2011 |
| REVENUE | | |
| Revenue from operations | 42611 | 42498 |
| Other income | 59 | 355 |
| Changes in Inventories | 384 | 1260 |
| Total | 43054 | 44113 |
| EXPENSES | | |
| a) Cost of materials | 33718 | 29100 |
| b) Employee benefits expense | 1836 | 1659 |
| c) Other expenses | 6298 | 5345 |
| Total | 41852 | 36104 |
| OPERATING PROFIT | 1202 | 8007 |
| Finance Costs | 2809 | 2130 |
| PROFIT/(LOSS) BEFORE DEPRECIATION, AMORTISATION & TAX EXPENSES | (1607) | 5877 |
| Depreciation and Amortisation Expenses | 2014 | 1985 |
| PROFIT/(LOSS) BEFORE TAX | (3621) | 3892 |
| Tax Expenses | | |
| a) Current Tax (MAT) | — | 432 |
| b) MAT credit entitlement | — | (432) |
| c) Deferred Tax | (1267) | 1358 |
| PROFIT/(LOSS) AFTER TAX | (2354) | 2534 |

DIVIDEND

As explained in detail under Performance Review, your company has incurred loss for the year under review, and hence the Board is unable to recommend a Dividend.

PERFORMANCE REVIEW

The textile industry has been facing a major challenge during the past few years in coping up with uncertainties arising from unexpected events led by external factors far beyond its control. The spinning sector which recovered handsomely in 2010-11 after two years of recession and adverse working, was once again plunged into yet another crisis due to lopsided government policies in respect of exports of cotton and cotton yarn, economic crisis in eurozone and consequent demand recession. The Government suddenly suspended cotton yarn exports from January to March 2011 which resulted in a huge piling up of yarn inventory of over 500 million kgs with the Spinning Mills. Eventually when this ill-timed ban was lifted in April 2011, there was a sudden rush to liquidate the yarn stock at any price made from

high-priced cotton inventory. The above ban also resulted in international and domestic cotton prices crashing from April 2011 and within a period of 3 months i.e by June 2011, the domestic cotton prices declined to ₹ 32,000 per candy for the Gujarat Shanker-6 variety from a peak of ₹ 65,000 per candy. Mills were saddled with holding high cost raw material inventory and the yarn prices crashed due to reasons given above, resulting in majority of the Spinning Units incurring cash losses in FY 2011-12. Extreme volatility in the foreign exchange rates also adversely affected the profitability.

Under the circumstances, while your company could maintain its total revenue at ₹430.54 crores for the year as compared to ₹438.34 crores for the previous year, there was a cash loss of ₹16.09 crores as against cash profit of ₹58.77 crores in the last year. As explained earlier, unrealistically higher cotton procurement cost in relation to subdued cotton yarn prices in the international as well as local markets wiped out most of the operating margin. Power cost has also been higher as the company had to buy expensive power from Independent Power Producers due to substantial power cut in Tamil Nadu, besides increase in manpower cost. After charging depreciation, at net level the company incurred a loss of ₹36.23 crores as compared to a profit before tax of ₹38.92 crores in the previous year.

To get over the crisis which are the direct result of lopsided government policies, the industry is persuading the concerned Ministry to offer some fiscal concessions including moratorium in repayment of term loan installments falling due in near future. Hence, for the current year, we have to wait and watch for the situation to return to normalcy.

MODERNISATION, UPGRADATION AND MARGINAL EXPANSION PLANS

Your Directors are glad to report that the modernization, upgradation and marginal expansion plans at Kanjikode Unit as well as addition on balancing equipment to enhance the output at Ponneri Unit at a revised project cost of ₹ 42.41 crores is in the final stage of implementation.

With this, installed capacity of Kanjikode unit will marginally go up from the existing 48624 spindles to 53136 spindles, thereby the total installed capacity of the company will be 115439 spindles.

CORPORATE DEBT RESTRUCTURING

Your Directors have approved a proposal to approach Corporate Debt Restructuring (CDR) Cell for a debt restructuring scheme to tide over the huge cash loss suffered during the year under review. As explained, Textile Industry has been passing through a very severe crisis as a result of total mismatch in the international and domestic yarn prices vis-a-vis the raw cotton prices, high interest costs, severe

DIRECTORS' REPORT (Contd.)

power shortage, etc.

Your Directors seeks support of the lenders to permit holding on operations, correction in interest rates, deferment of principle repayment, sanction of additional long term working capital etc. to tide over the situation.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) in the preparation of the annual accounts, the applicable Accounting Standards have been followed and that there are no material departures;
- b) appropriate accounting policies have been selected and applied them consistently and have 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 profit of the Company for that period;
- c) proper and sufficient care has been taken for the maintenance of 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) the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

Your Directors affirm their commitments to the Corporate Governance standards prescribed by the Securities and Exchange Board of India (SEBI).

A Report on Corporate Governance with Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

FIXED DEPOSITS

The Company had no unclaimed deposits outstanding as at the close of the financial year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Shri B.L Singhal and Shri Rajen K Mariwala, Directors, retire from Office by rotation and are eligible for re-appointment.

Shri V Viswanathan, Nominee of KSIDC was appointed as Director effective from 19.07.2011 in place of Shri T Pius Joseph. The Board placed on record its profound appreciation to Shri. T Pius Joseph for his valuable contribution during his tenure as a Director of the Company.

Shri Prem Malik, was appointed as Additional Director effective from 15.05.2012 pursuant to section 260 of the Companies Act, 1956. Your Board of Directors recommends his appointment under Section 257 of the Companies Act, 1956.

AUDITORS

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

PERSONNEL & INDUSTRIAL RELATIONS

Industrial Relations were cordial and satisfactory. There were no employees whose particulars are to be given in terms of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011 dated 31st March, 2011.

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

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

ACKNOWLEDGEMENT

Your Directors place on record their gratitude to Central Bank of India, State Bank of India, State Bank of Travancore, The Karur Vysya Bank Limited, IDBI Bank Limited, Export-Import Bank of India, Oriental Bank of Commerce, Bank of Maharashtra and Canara Bank and the concerned Departments of the State and Central Government, valuable Customers, Employees and Shareholders for their assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kochi,
Date : 23rd May, 2012

B. K. PATODIA
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

- a) Energy conservation measures taken.

The Company is making all round efforts for the conservation of energy. To reduce the energy cost, energy efficient equipments were used and the effect of the same has been felt.

- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy

- c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- d) Total energy consumption and energy consumption per unit of production as prescribed in **Form-A** given below

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 in Southern Region (SITRA).

C. Foreign Exchange Earnings & Outgo

- a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans

The company is presently exporting yarn and knitted fabric. Steps are being taken to explore new markets and product development.

- b) Total Foreign Exchange earned and used excluding capital goods, components & Spares:

Earned: ₹ 21931.90 lacs (Previous year ₹ 21741.49 lacs) (including shipping freight realization and agents commission) Used: ₹ 6446 lacs (Previous year ₹ 4417.45 lacs)

For and on behalf of the Board

Place : Kochi,
Date : 23rd May, 2012

B.K PATODIA
Chairman

| | Year ended 31.3.2012 | Year ended 31.3.2011 |
|--|----------------------------|----------------------------|
| I Power and fuel consumption | | |
| 1 Electricity | | |
| a) Purchased (Units in lacs) [wind Mill Units Consumed 117.53(Previous year 117.53)] | 679.49 | 691.78 |
| Total amount (₹ in lacs) | 3216.29 | 3050.83 |
| Rate per unit (₹) | 4.73 | 4.41 |
| b) Own generation | | |
| i) through Diesel Generator (units in lacs) | 5.36 | 5.32 |
| Total amount (₹ in lacs) | 67.13 | 62.13 |
| Units per liter of diesel oil | 3.50 | 3.59 |
| Cost per unit (₹) | 12.52 | 11.68 |
| ii) through steam turbine / generator | | |
| Units | Nil | Nil |
| Unit per liter of fuel oil / gas | Nil | Nil |
| Cost per unit (₹) | Nil | Nil |
| 2 Coal | Nil | Nil |
| 3 Furnace Oil | Nil | Nil |
| 4 Others/internal generation | Nil | Nil |
| II Consumption per unit of production | | |
| a) Electricity – Units per Kg. Yarn | 6.58 | 6.30 |
| b) Furnace Oil | Nil | Nil |
| c) Coal | Nil | Nil |
| d) Others | Nil | Nil |

PATSPIN INDIA LIMITED

REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy on Code of Corporate Governance

The Company firmly believes in and has consistently endeavored to practice good Corporate Governance. The Company's philosophy on Corporate Governance envisages the attainment of the highest 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 lenders.

2) Board of Directors

The Board is headed by a Non-Executive Chairman, Shri. B K Patodia and comprises eminent persons with considerable professional experience in diverse fields. Over 88% of the Board consists of Non-Executive Directors.

As on 31st March, 2012, the Board comprises of 4 Independent Directors and as on 15th May, 2012 the Board comprises 5 independent Directors constituting 55% of the total Board strength.

Composition and category of Directors is as follows:

| Category | Name of Directors |
|------------------------------------|---|
| Promoter / Executive Director | Shri.Umang Patodia |
| Promoter / Non-Executive Directors | Shri.B K Patodia Shri Yoshikazu Ono (Nominee of ITOCHU Corporation) Shri Keisuke Oba (Alternate Director to Shri Yoshikazu Ono) Shri.T Pius Joseph (Nominee of KSIDC)(upto 19/07/2011) Shri V.Viswanathan (Nominee of KSIDC) (w.e.f 19/07/2011) |
| Independent Directors | Shri. N. K. Bafna Shri. B. L. Singhal Shri. R. Rajagopalan Shri. Rajen K. Mariwala Shri Prem Malik (w.e.f 15.05.2012) |

Attendance of Directors at Board Meetings, last Annual General Meeting and Number of Other Directorships and Chairmanships / Memberships of Committees of each Directors in various Companies:

| Name of the Director | Attendance particulars | | No. of other Directorships and Committee memberships / Chairmanships | | | Relationship interse Directors |
|------------------------------------|------------------------|----------|--|------------------------------|--------------------------------|--------------------------------|
| | Board meetings | Last AGM | Other Directorship including Pvt. Ltd. Cos. | Other Committee Membership # | Other Committee Chairmanship # | |
| Shri.B K Patodia | 4 | Yes | 9 | None | None | Related to Shri.Umang Patodia |
| Shri. N. K. Bafna | 4 | Yes | 3 | 5 | 2 | None |
| Shri. B. L. Singhal | 4 | Yes | 9 | 6 | 3 | None |
| Shri. R Rajagopalan | 4 | Yes | 3 | 6 | 4 | None |
| Shri. Rajen K. Mariwala | 3 | No | 7 | 2 | None | None |
| Shri Prem Malik | — | — | 9 | 3 | None | None |
| Shri. K.Oba [Itochu Nominee] | 1 | No | None | None | None | None |
| Shri.V Viswanathan [KSIDC nominee] | 2 | — | 1 | None | None | None |
| Shri. Umang Patodia | 4 | Yes | 3 | None | None | Related to Shri. B. K. Patodia |

In accordance with Clause 49 of the Listing Agreement, Membership / Chairmanship of only the Audit Committees and Shareholders /Investors' Grievance Committees of all Public Limited Companies has been considered.

Number of Board meetings held and the dates on which held:

Four Board meetings were held during the year. The maximum time gap between any such two meetings was not more than 4 calendar months.

REPORT ON CORPORATE GOVERNANCE (Contd.)

The details of the Board Meetings are as under:-

| Sl. No. | Date | Board Strength | No. of Directors present |
|---------|---------------------|----------------|--------------------------|
| 1) | 10th May, 2011 | 8 | 7 |
| 2) | 28th July, 2011 | 8 | 6 |
| 3) | 1st November, 2011 | 8 | 6 |
| 4) | 11th February, 2012 | 8 | 7 |

3) Audit Committee

Audit Committee comprises of Four Independent and one Non Independent Directors namely; Shri N.K Bafna, Chairman, Shri.B L Singhal, Shri.R Rajagopalan and Shri Prem Malik (w.e.f 15.05.2012) and Shri Umang Patodia, Managing Director. All the Members of the Audit Committee possess financial / accounting expertise. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Shri Abhilash N.A, Company Secretary is the Secretary of the Audit Committee.

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 oversee financial reporting process and disclosures, review annual financial statements, management discussion and analysis of financial condition and results of operation, review adequacy of internal audit function, management letters/ letters of internal control weakness issued by the statutory auditors, internal audit report relating to internal control weakness, related party transactions, review financial and risk management policies, to look into the reasons for substantial defaults in the payment to depositors, debenture / shareholders and creditors, oversee compliance with stock exchange and legal requirements concerning financial statements, review auditors qualifications (draft), compliance with Accounting Standards, recommending the appointment and renewal of external Auditors / Chief internal auditor, Cost Auditor, fixation of audit fee ,approval for payment for any other services and also approval of appointment of Chief Financial Officer (CFO)..

During the year, the Committee met four times. Attendance of each Member at the Audit Committee meetings held during the year:

| Sl. No. | Name of the Member | Status | No. of meetings attended |
|---------|---------------------|---------------------------------|--------------------------|
| 1) | Shri. N K Bafna | Chairman & Independent Director | 4 |
| 2) | Shri. B.L Singhal | Independent Director | 4 |
| 3) | Shri. R Rajagopalan | Independent Director | 4 |
| 4) | Shri. Umang Patodia | Executive Director | 4 |

The details of the meetings are as under:-

| Sl. No. | Date | Committee Strength | No. of Directors present |
|---------|---------------------|--------------------|--------------------------|
| 1) | 10th May, 2011 | 4 | 4 |
| 2) | 28th July, 2011 | 4 | 4 |
| 3) | 1st November, 2011 | 4 | 4 |
| 4) | 11th February, 2012 | 4 | 4 |

Shri. N K Bafna, Chairman of the Audit Committee was present at the Annual General Meeting of the company held on 29th July, 2011.

The Managing Director, Chief Financial Officer, Internal Auditors, Statutory Auditors and other Executives as considered as appropriate were also attending the Audit Committee meetings.

i) Internal Audit and Control:

M/s Varma & Varma, Chartered Accountants, Kochi, Internal Auditors carried out Audit of the Company except ponneri Unit, which is being carried out by Shri V.C.Tirupathi, Chartered Accountant, Coimbatore. Internal Audit Plan and their

REPORT ON CORPORATE GOVERNANCE (Contd.)

remuneration are being approved by the Audit Committee. The reports and findings of the Internal Auditors and the Internal Control Systems are periodically reviewed by the Audit Committee.

ii) **Prevention of Insider Trading:**

The Audit Committee also monitors implementation and compliance of the Company's Code of Conduct for prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended upto date. Shri Abhilash N.A, Company Secretary is the Compliance Officer of the Company.

iii) **Risk Management:**

The Company has laid down procedures to inform the Board Members about the risk assessment and minimization procedures. The Designated Officials submit quarterly reports which are reviewed periodically by the Management Committee to ensure effective risk management.

4) **Remuneration Committee**

The Remuneration Committee of the Board of Directors comprises of 3 Independent Non-Executive Directors namely; Shri. B L Singhal, Chairman ; Shri N.K Bafna, and Shri. R. Rajagopalan.

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

Remuneration Committee constituted by the Board had met on 26.4.2012 and approved/retained remuneration package of Shri. Umang Patodia , Managing Director for his balance tenure from 1st April, 2012 to 3rd August, 2014, in accordance with Schedule XIII to the Companies Act, 1956. The remuneration structure approved is as follows;.

a) **Salary:**

₹3, 80,000/- per month in the Scale ₹370000–10000–390000 effective from 1st April, 2012 till 03.08.2014.

b) **Commission:**

Subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, such percentage of the Net Profit of the Company or such quantum as may be fixed by the Board of Directors for each financial year not exceeding 2% of the Net Profits of the Company, each year, restricted to an overall limit of ₹48 lacs per annum.

c) **Perquisites as follows:**

- (i) Housing: Rent free accommodation will be provided to the appointee for which actual amount of lease rental paid or payable by the Company or 10% of the salary, whichever is lower, shall be recovered. In case no accommodation is provided by the Company, House Rent Allowance, subject to a ceiling of 60% of the appointees salary shall be paid. In addition, the appointee shall be allowed Company owned furniture and fixtures, if required.
- (ii) The expenditure incurred by the appointee on gas, electricity and water shall be reimbursed by the Company.
- (iii) All Medical Expenses incurred by the appointee for self and his family shall be reimbursed.
- (iv) Leave Travel Concession for the appointee and his family will be allowed once in a year as per the Rules of the Company.
- (v) Fees of Clubs : Subject to a maximum of 2 Clubs. This will not include admission and life membership fees.
- (vi) Personal Accident Insurance : As per Rules of the Company.
- (vii) Contribution to Provident Fund, Superannuation or Annuity Fund to the extent the same are not taxable under the Income-Tax Act.
- (viii) Gratuity : As per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company, whichever is higher.
- (ix) Provision of Car with driver and telephone at the residence for use of Company's business.
- (x) Encashment of Leave as per Rules of the Company.

d) **Overall Remuneration:**

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309, and other applicable provisions of the Act read with Schedule XIII to the said Act, as may for the time being in force.

e) **Minimum Remuneration:**

In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary, commission and perquisites shall be governed by the limits prescribed under the Section II of Part II of Schedule XIII to the Act.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members in general meeting is required to be obtained with regard to the remuneration as set out in Item No.6 of the accompanying notice.

Details of the remuneration paid to Managing Director for the Year:

The aggregate of salary and perquisites paid for the year ended 31st March, 2012 to Managing Director, was as follows:-

Shri Umang Patodia: ₹ 44.99 lacs.

Besides this, the Managing Director was also entitled to Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent not taxable and Gratuity as per the Rules of the Company.

Remuneration paid to Non-Executive Directors:

No Remuneration is paid to Non-Executive Directors except sitting fee for attending the meeting of the Board and Committees thereof.

The details of payment of sitting fee are as follows;

| Meeting | Amount (in ₹) |
|-----------|---------------|
| Board | 7,500 |
| Committee | 5,000 |

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

| Name of the Non-Executive Director | Sitting fee (₹) |
|------------------------------------|-----------------|
| Shri. B. K. Patodia | 30,000 |
| Shri. N. K. Bafna | 70,000 |
| Shri. B. L. Singhal | 70,000 |
| Shri. R. Rajagopalan | 50,000 |
| Shri.V.Viswanathan | 15,000 |
| Shri Rajen K Mariwala | 22,500 |
| Shri K Oba | 7,500 |
| Total | 2,65,000 |

There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company. The Company has not granted any stock option to any of its Directors.

5) Shareholders / Investors' Grievance Committee

The Board has constituted Shareholders / Investors' Grievance Committee comprising Shri.B L Singhal, Chairman; Shri.N K Bafna and Shri Umang Patodia.

The Committee reviews redressing of shareholders and investors complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared Dividends, etc besides complaints from SEBI, Stock Exchanges, Court and various Investor forums. The Committee also oversees the performance of Registrar and Transfer Agents and recommends measures for overall improvement in the quality of investor's services.

During the year, the Committee met four times, details of which are as under:-

| SI. No. | Date | Committee Strength | No. of Directors present |
|---------|---------------------|--------------------|--------------------------|
| 1) | 10th May, 2011 | 3 | 3 |
| 2) | 28th July, 2011 | 3 | 3 |
| 3) | 1st November, 2011 | 3 | 3 |
| 4) | 11th February, 2012 | 3 | 3 |

The Board has designated Shri Abhilash N.A, Company Secretary as the Compliance Officer.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Investor Grievance Redressal:

The total number of Complaints received and resolved to the satisfaction of investors during the year under review is as under:--

| Type of complaints | Number of complaints |
|--|----------------------|
| Non-receipt of Annual Reports | 5 |
| Non-receipt of Dividend Warrants | 11 |
| Non-receipt of Share Certificates | 1 |
| Complaints in respect of Electronic Transfers | - |
| Complaints / queries received from Regulatory Agencies | - |
| Total: | 17 |

There were no outstanding complaints as on 31st March, 2012. One request for dematerialization was pending in the NSDL system for approval as on 31st March, 2012, which was approved/confirmed on 3rd April, 2012. No requests were pending in the CDSL System as on 31st March, 2012.

The Shareholders/Investors may please note the following for lodging their grievances as well as accessing Company information.

| | | |
|--------------|--------------------|---------------------------|
| Clause 47(f) | Investor Grievance | Email ID : cs@patspin.com |
| Clause 54 | Functional Website | www.patspin.com |

6) General Body Meetings:

(i) Location, date and time of Annual General Meetings held during the preceding 3 years and Special Resolutions passed:

| Year | Location | Date | Day | Time | Special Resolution |
|---------|---|------------|----------|-----------|--|
| 2008-09 | Aangan Hall, Bharat Hotel, Kochi - 682 016. | 31.07.2009 | Friday | 9.30 a.m | i) Consent for appointment and fixing of Remuneration of Managing Director ii) Consent to issue of Redeemable Preference Shares |
| 2009-10 | -do- | 31.07.2010 | Saturday | 10.30 a.m | None |
| 2010-11 | -do- | 29.07.2011 | Friday | 9.30 a.m | None |

No Special Resolution was moved at the last Annual General Meeting.

(ii) Whether Special resolutions were put through Postal Ballot last year?

Not Applicable

(iii) Are votes proposed to be conducted through postal ballot, this year?

NO

7) Disclosures:

i) Related Party Transactions/Material Contract

Disclosure on materially significant related party transactions that may have potential conflict with the interests 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 Compliance

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI, or any Statutory Authority, on any matter related to Capital markets, during the last three years.

None.

iii) Code of Conduct

The Company has laid down a Code of Conduct for all Board Members as well as for all Employees of the Company.

REPORT ON CORPORATE GOVERNANCE (Contd.)

The Code of Conduct is available on www.patspin.com. The Managing Director has confirmed and declared that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. The declaration to that effect forms part of this report.

iv) Adoption, Compliance and Non Adoption of non mandatory requirements

a) The Board

The company meets expenses to maintain Chairman's office in the performance of his duties. The company has not fixed up the tenure of the Independent Directors of the Board. The dates of appointment of Independent Directors are, as follows:--

| Name of Independent Directors | Date of first appointment |
|-------------------------------|---------------------------|
| Shri. N K Bafna | 20.06.2000 |
| Shri. B.L. Singhal | 20.06.2000 |
| Shri. R. Rajagopalan | 27.01.2005 |
| Shri. Rajen K. Mariwala | 21.01.2006 |
| Shri Prem Malik | 15.05.2012. |

b) Remuneration Committee

Information pertaining to Remuneration Committee is provided in Point No.4 of this report.

c) Shareholder Rights

The Company's quarterly and half yearly results are published in the Newspaper and also uploaded on its website www.patspin.com. Therefore, no individual communication is sent to shareholders on the quarterly and half yearly financial results. However, if requested, the company provides the same to them individually.

d) Audit Qualifications

There are no qualifications in the Auditors Report on the accounts for the year 2011-12.

e) Others

The Company has not adopted other non-mandatory requirements of Clause 49 of the Listing Agreement relating to imparting training to the Non-Executive Directors, evaluation of their performance and the whistle blower policy.

v) Reconciliation of Share Capital Audit

A qualified Practicing Company Secretary has carried out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical forms and the total number of dematerialized shares held with NSDL and CDSL.

8) Means of communication

Half-yearly report sent to each household of shareholders

Although, Half-yearly report is not sent to each household of shareholders, the Company normally publishes the same in the all India editions of THE HINDU: BUSINESS LINE [National Daily] and MANGALAM [Regional News Paper].

Quarterly results

The quarterly results are normally published in the all India editions of THE HINDU: BUSINESS LINE [National Daily] and MANGALAM [Regional Newspaper].

The above said results and the Shareholding pattern have been uploaded in the website of SEBI under CFDS System, periodically.

From the quarter ending on 30th September,2011, Corporate Governance Report and Shareholding Pattern have been filing through NEAPS which is a web based application designed for Corporates by National Stock Exchange (NSE).The same can be accessed at <https://www.connect2nse.com/LISTING>.

The same were also displayed in the Web site of the Company, www.patspin.com

The Company did not make any presentation to the analysts / institutional investors.

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

9) General Shareholder information:

I) Annual General Meeting:

| | | | |
|----|--|---|---|
| a) | Date and Time | : | On or before 30th September,2012 |
| b) | Venue | : | 'Aangan Hall', Bharat Hotel (BTH), Durbar Hall Road, Kochi. Pin: 682 016. |
| c) | Financial calendar (tentative): | | |
| | Annual General Meeting | : | On or before 30th September,2012 |
| | Results for quarter ending 30th June, 2012 | : | On or before 15th August, 2012 |
| | Results for quarter ending 30th Sept.,2012 | : | On or before 15th November 2012 |
| | Results for quarter ending 31st Dec., 2012 | : | On or before 15th February 2013 |
| | Results for Year ending 31st March, 2013 | : | On or before 31st May 2013 |
| d) | Book closure date | : | One week before the Annual General Meeting |

II) Listing

| | | | |
|-----|---|---|--|
| a) | Listing of Equity Shares on Stock Exchanges at | : | Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) |
| b) | Listing Fee | : | Annual Listing fee for the year 2012-13 have been duly paid to all the above Stock Exchanges. The Annual Custodial Charges to NSDL and CDSL has also been paid |
| i) | Stock Code: Scrip Code No. : Bombay Stock Exchange | : | 514326 |
| | Trading symbol : National Stock Exchange | : | PATSPINLTD |
| ii) | Demat ISIN Nos. in NSDL and CDSL for Equity Shares | : | INE790C01014 |

III) Stock market data :

(in ₹ per Share)

| Month | BSE | | NSE | |
|-----------------|-------|-------|-------|-------|
| | High | Low | High | Low |
| April, 2011 | 20.25 | 15.88 | 20.50 | 15.15 |
| May, 2011 | 20.25 | 15.60 | 20.50 | 15.25 |
| June ,2011 | 20.25 | 16.50 | 20.40 | 15.05 |
| July, 2011 | 17.50 | 13.60 | 19.00 | 12.60 |
| August, 2011 | 14.85 | 10.50 | 15.65 | 10.00 |
| September, 2011 | 14.80 | 10.50 | 14.95 | 10.55 |
| October ,2011 | 13.50 | 10.90 | 13.80 | 10.05 |
| November, 2011 | 13.00 | 8.23 | 12.25 | 9.05 |
| December, 2011 | 10.85 | 7.25 | 11.95 | 7.90 |
| January, 2012 | 13.00 | 8.03 | 11.90 | 8.00 |
| February, 2012 | 11.95 | 8.80 | 11.30 | 9.00 |
| March, 2012 | 9.70 | 7.30 | 10.80 | 7.75 |

| | | | |
|-----|--|---|--|
| IV) | Registrar and Transfer Agents (Share Transfer and communication regarding Share Certificates, Dividends and change of Address) | : | M/s. Integrated Enterprises India Limited, 2nd Floor, Kences Towers, No I Ramakrishna Street, T Nagar, Chennai 600 017 Tel: 044 28140801-803; E-Mail : corpserv@integratedindia.in |
|-----|--|---|--|

REPORT ON CORPORATE GOVERNANCE (Contd.)

| | | | |
|----|-----------------------|---|--|
| V) | Share Transfer System | : | <p>Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. The Board has delegated the authority for approving transfer, transmission, etc. of the Company's Securities to the Share Transfer Committee of the Board of Directors, constituted for this purpose. A summary of transfer / transmission of the Securities Company so approved by the Share Transfer Committee is placed at every Board Meeting. The Company obtains a Certificate for each half year from a Company Secretary in Practice in Compliance with the Share Transfer formalities as required under Clause 47(C) of the Listing Agreement with Stock Exchanges and files a copy of the Certificate with the Stock Exchanges, within the prescribed time limit.</p> <p>As regards shares held in Electronic form, the credit being given as per guidelines / by-laws issued by SEBI / NSDL / CDSL.</p> |
|----|-----------------------|---|--|

VI) Shareholding pattern and Distribution on Shareholding of the Company:-

(a) Shareholding Pattern as on 31st March, 2012:

| S. No. | Category | No of Shares | % of Shareholding |
|--------|---|--|-------------------------------|
| 01) | Promoters GTN Textiles Limited Itochu Textile Materials (Asia) Limited KSIDC Patodia Family | 14287068 3000000 2490000 319850 | 46.21 9.70 8.05 1.04 |
| 02) | Indian Financial Institutions, Banks, Mutual Funds | 7300 | 0.02 |
| 03) | Foreign Institutional Investors/NRIs | 252180 | 0.81 |
| 04) | Others | 10563602 | 34.17 |
| | Total:- | 30920000 | 100.00 |

(b) Distribution of Shareholding as on 31st March 2012

| No. of shares held | No. of shareholders | % of shareholder | No. of shares (Issued Equity) | % of shareholding |
|--------------------|---------------------|------------------|-------------------------------|-------------------|
| Upto 100 | 11136 | 58.18 | 1044615 | 3.38 |
| 101-500 | 5744 | 30.01 | 1639342 | 5.30 |
| 501-1000 | 1208 | 6.31 | 1039700 | 3.36 |
| 1001-10000 | 966 | 5.04 | 2769143 | 8.96 |
| 10001-100000 | 76 | 0.40 | 2029924 | 6.56 |
| Above 100000 | 12 | 0.06 | 22397276 | 72.44 |
| Total | 19142 | 100.00 | 30920000 | 100.00 |

VII) Dematerialisation of shares and Liquidity:

The shares of the company are compulsorily traded in DEMAT form by all categories of investors with effect from 29th January 2001. 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 scrip less trading. As on 20th April, 2012; 84.69% shares of the company were held in Dematerialised form.

Liquidity of shares:

The shares of the company are actively traded in Bombay Stock Exchange Limited (BSE) and on The National Stock Exchange of India Limited (NSE).

REPORT ON CORPORATE GOVERNANCE (Contd.)

| | | | |
|-------|-------------------|-----|--|
| VIII) | Plant Locations : | (1) | Patodia Nagar, 5/345, Para road, Kanjikode East P.O Palakkad, Kerala – 678 621. |
| | | (2) | S.F No.190 and 191, Tirupur Road, Ponneri, Udumalpet, Tamil Nadu |

IX) Address for correspondence:-

| | | | |
|-----|---|----|--|
| i) | Investor Correspondence:- | | |
| | For transfer / dematerialisation of shares, payment of dividend on shares and any other query relating to the shares of the Company | a) | For shares held in Physical Form:- M/s. Integrated Enterprises India Limited, 2nd Floor, Kences Towers, No I Ramakrishna Street, T Nagar, Chennai 600 017 Tel: 044 28140801-803 E-Mail : corpserv@integratedindia.in |
| | | b) | For share held on Demat form:- To the Depository Participants. |
| ii) | Any query on Annual Report | | Secretarial Department PATSPIN INDIA LIMITED 5th Floor, Palal Towers, M G Road, Ravipuram, Ernakulam, Kochi – 682 016 E-Mail: cs@patspin.com |

DECLARATION BY CEO ON CODE OF CONDUCT AS REQUIRED BY CLAUSE 49 I(D)(ii) OF THE LISTING AGREEMENT

“As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, this is to declare that all the Members of the Board and the Senior Management have affirmed with the Code of Conduct for the year ended 31st March,2012”

For **PATSPIN INDIA LIMITED**

Place : Kochi
Date : 23rd May, 2012

UMANG PATODIA
Managing Director

The above report was adopted by the Board of Directors at their meeting held on 23.05.2012.

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of PATSPIN INDIA LIMITED

We have examined the compliance of conditions of corporate governance by PATSPIN INDIA LIMITED for the year ended March 31, 2012 as stipulated in clause 49 of the Listing agreement(s) of the said company with the stock exchange(s) in India.

The compliance of conditions on Corporate Governance is the responsibility of the company's Management. Our examination was carried out in accordance with the 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 procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us read along with paragraph 2 of the Report on Corporate Governance, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

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

FOR M. S. JAGANNATHAN & VISVANATHAN
CHARTERED ACCOUNTANTS
(ICAI Firm No. 001209S)

Place : Kochi
Date : 23rd May, 2012

R.MUGUNTHAN
PARTNER
M NO. 21397

PATSPIN INDIA LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

The importance of textile industry in the national economy is significant because of its contribution to economic growth, exports and employment. Exports of Textiles and clothing during 2011-12 are estimated at around 34 billion USD, a record high, which works out to a share of 11% in the total exports from the country of 304 billion USD. This sector currently employs about 35 million workers directly and 47 million workers in allied sectors like Agriculture.

The Indian Textile Industry which recovered handsomely in 2010-11 after two years of recession and adverse working, was once again plunged into yet another crisis due to lopsided government policies in respect of exports of cotton and cotton yarn, economic crisis in Eurozone and consequent demand recession. Broadly, the problems faced by the industry were as under:-

- (1) Global cotton shortage prevailed during 2010-11, and the same resulted in an unprecedented increase in global cotton prices from US \$ 0.84 per lb in October 2010 to US \$ 2.30 per lb in March 2011 on the New York Futures. The domestic cotton prices also increased from ₹35000 per candy (356 kg) to ₹62500 per candy for the Gujarat Shanker-6 variety. The situation was further aggravated due to premature announcement by Government, of cotton export of 55 lakhs bales in 45 days.
- (2) The Government suddenly suspended cotton yarn exports from January to March 2011 which resulted in a huge piling up of yarn inventory of over 500 million kgs with the Spinning Mills. Eventually when this ill-timed ban was lifted in April 2011, there was a sudden rush to liquidate the yarn stock at any price made from high-priced cotton inventory.
- (3) The above ban also resulted in international and domestic cotton prices crashing from April 2011 and within a period of 3 months i.e by June 2011, the domestic cotton prices declined to ₹32,000 per candy for the Gujarat Shanker-6 variety.
- (4) Holding of High Cost raw material without corresponding increase in yarn prices led to a steep fall in profitability in the financial year 2011-12 and majority of the Spinning Units reported cash losses.
- (5) Due to unfettered and huge exports of raw cotton from the beginning of the cotton season from October 2011, raw material of uniform quality at right prices became scarce.
- (6) In its fight against inflation, the RBI had increased the interest rates 13 times between March, 2010 and October, 2011. Moreover, the GDP growth declined to 6.9 per cent in 2011-12. In spite of half per cent reduction in interest rate in April, 2012, the present interest rates are still very high at 13.5%, which substantially added to the manufacturing cost.
- (7) Severe power cut of almost 70% in Tamil Nadu and 10% in Kerala has led to increase in the cost of production and decline in cotton yarn production. In Tamil Nadu, the Government has increased tariff rate by ₹1.50 per unit and currently the rate is ₹ 6.61 per unit as against ₹4.98 per unit previously. Cost of buying power from Power Trading Companies and Independent Power Producers is very high in the Southern Grid. It is hoped that with the onset of monsoon in June and full running of Wind Mills from May to October will make the power availability better in Tamil Nadu.
- (8) Extreme fluctuation in Forex market also led to financial uncertainty. Rupee Exchange rate which was 44.39 to USD in April 2011 depreciated to 52.52 in December 2011, again appreciated to 49.20 in February 2012 and hit all-time low of 55.03 on 21st May, 2012.
- (9) Confederation of Textile Industry (CITI) has appealed to the Ministry of Textiles and Finance to restructure the massive loans availed by the industry specially under TUF Scheme and declare a moratorium of two years as well as to provide working capital term loans due to substantial erosion in the value of cotton and yarn inventory. The Ministry of Textiles assigned a study to the Bank of Baroda Capitals to prepare a Flash Report on the need for Debt Restructuring for the textile industry. This report has already been considered by the Ministry of Textiles and forwarded to the Ministry of Finance and RBI and it is hoped that there will be a positive outcome in the matter.

Spinning and Weaving Capacities

Figures of world's installed spinning and weaving capacities are available from ITMF as of October, 2011. As at the end of 2010, world's total spindage was 244 million. China is having 120 million spindles, representing the share of 49 per cent and India was having 45 million spindles, representing about 19 per cent. As of March, 2012, however, India's installed spindles have increased to 48.25 million, accounting for 20 per cent of the global spindage. It is significant to mention that during the last three years, the spindage in India has expanded by over 6 million.

Deducting 10 million spindles of closed mills, the number of operative spindles works out to around 38 million. The number of installed open-end rotors has marginally increased to 771 thousand in March, 2012 as compared to 749 thousand in March, 2011. It is pertinent to point out that expansion of spinning capacity has been significant both in the organized and small spinning sectors. To meet the rising domestic demand for cotton yarn from the downstream value chain and also to meet higher targets for exports of cotton yarn, the Twelfth Five Year Plan has envisaged investment of ₹ 41,750 crores in the spinning sector.

A major chunk of spinning capacity expansion took place under the TUF Scheme, which was operative for a span of eight years from 1st April, 1999 to 31st March, 2007. Further, under the modified TUF Scheme operative from 1st April, 2007, investments during three years 2007-08 to 2009-10, increased considerably towards modernization and expansion of spinning capacity.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

The Restructured TUF Scheme has since been announced by the Ministry of Textiles on 28th April, 2011. The Scheme was operative from 28th April, 2011 and valid upto 31st March, 2012, the terminal year of the Eleventh Five Year Plan. The major change in the Restructured Scheme is a reduction in the repayment period to seven years with two years moratorium as compared to earlier repayment period of ten years with two years moratorium.

The number of looms in the mill sector which remained stagnant at 71,000 for the three-year period, 2007-08 to 2009-10, declined to 66,000 during 2010-11 and 2011-12. However, the weaving capacity in the powerloom sector has increased from 22.46 lakh looms in 2009-10 to almost 23 lakh looms as of December, 2011.

Production of Yarn

The total production of spun yarn which was 4193 million kgs in 2009-10 expanded to 4713 million kgs in 2010-11, showing a creditable growth of over 12 per cent. However, total production of spun yarn in 2011-12 is expected to be lower at 4359 million kgs exhibiting a decline of 8 per cent. Similarly, production of cotton yarn also escalated from 3079 million kgs in 2009-10 to 3490 million kgs in 2010-11. For the year 2011-12, production of cotton yarn was projected at 3400 million kgs. by the Cotton Yarn Advisory Board. The final figure for 2011-12 released by the Office of the Textile Commissioner is 3121 million kgs, which shows a decline of 11 per cent.

Exports of Cotton Yarn

In pursuance of National Fibre Policy, Government set up in September 2010, Cotton Yarn Advisory Board (CYAB) to advise the Government on matters pertaining to production, consumption and exports of cotton yarn.

Exports of cotton yarn in 2011-12 are estimated at 828 million kgs valued at 2.6 billion USD as against exports of 720 million kgs valued at 2.7 billion USD in 2010-11. This indicates that unit value at \$ 3.14 per kg in 2011-12 declined by 19 per cent as compared to \$ 3.75 per kg in 2010-11. This is mainly due to depressed prices in international markets, intensification of competition and a change in the pattern of trade.

In the wake of clear exportable surplus arrived at by the Cotton Yarn Advisory Board, DGFT issued a notification dated 31st March, 2011, allowing free exports of cotton yarn from April, 2011 onwards, subject to registration of contracts.

After protracted deliberations at the Cotton Yarn Advisory Board meetings, the Cotton Yarn Balance Sheets for 2011-12 and 2012-13 were drawn up in terms of which exportable surplus were arrived at 875 million kgs. for 2011-12 and 920 million kgs for 2012-13.

Upto 2009-10 exports of cotton yarn were operating smoothly and were in the range of 20 to 22 per cent of the production of cotton yarn. The slipshod manner in which Government handled exports of cotton yarn earlier has done immense harm to the textile industry.

Cotton Scenario

For the cotton season 2009-10, Cotton Advisory Board had estimated area under cotton at 103.10 lakh hectares and crop at 305 lakh bales. The per hectare yield for the season dropped to 503 kgs as against of 524 kgs achieved in 2008-09 and 554 kgs in 2007-08. For the cotton season the 2011-12, Cotton Advisory Board has estimated the area at 121.91 lakh hectares and a crop of 347 lakh bales. Per hectare yield in the cotton season 2011-12 works out lower at 484 kgs.

Although the cotton crop during the 2011-12 season was quite high, the Indian textile industry did not derive the advantage of home-grown cotton on account of unprecedentedly higher quantum of exports of raw cotton. While the domestic industry was denied better quality cotton at competitive prices, our competitors like China and other South East Asian countries got the advantage of best quality Indian cottons at cheaper prices. This calls for a serious review by the Government of India.

For the cotton year 2011-12, CAB had earlier arrived at the figure of 55 lakh bales of cotton as exportable surplus. However, DGFT subsequently allowed exports of raw cotton upto 95 lakh bales, subject to registration of contracts. The total quantity registered for exports was 120 lakh bales. In March, 2012 DGFT banned exports of cotton once it reached the figure of 95 lakh bales. However, due to persistent pressure from the trading community, the Group of Ministers decided that total quantity of registered contracts at 120 lakh bales be allowed for exports. As of now, exports of 115 lakh bales have taken place, as per CAB.

According to Textile Exchange's (Earlier Organic Exchange) 2011 Report, global production of organic cotton during 2010-11 declined by 35 per cent to 151,079 metric tonnes from 241,697 metric tonnes in 2009-10. The Report anticipates an additional decline of 5 per cent in 2011-12. The major decline, according to the Report, has occurred in India. This will impact availability of organic cotton to international brands and retailers. It is relevant to mention that while India's dominant share is declining, Central Asian countries of Kyrgyzstan and Tajikistan are emerging as leading producers and suppliers of organic cotton.

The factor which is impeding the working of textile industry is frequent and several changes brought about by Government in the policy for exports of raw cotton, ignoring the industry's requirement of minimum of two-and-half months stocks for domestic consumption. While on this, it is pertinent to mention that China has built up a massive national cotton reserve, ensuring raw material security to its textile industry. China, holding 36 per cent of global cotton stocks is creating significant uncertainty for the global cotton market.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

With Government's prediction of normal monsoon for the coming season and other favourable factors like higher cotton exports in the current season, farmers will find it attractive to increase area under cotton cultivation. Other encouraging factors are: growing awareness among farmers for adoption of better technology and augmented supply of a good quality seed. It has been observed that the performance of textile industry hinges largely on adequate availability of quality cotton. The industry has a potential to absorb larger cotton crop with the massive expansion of capacity. However, Government should exercise abundant caution in deciding the policy for exports of raw cotton, keeping overall national interest in mind.

According to ICAC, global production of cotton in the season 2010-11 (August –July) was 25 million tons and consumption 24.58 million tons, with ending stocks getting reduced from 12.75 to 9.2 million tons. This led to massive increase in cotton prices. For the cotton season 2011-12, global production is estimated higher by 8 per cent at 27.10 million tons and consumption at 23.22 million tons, resulting in higher ending stocks of 13.10 million tons.

For the cotton season 2012-13, the ICAC has projected that world cotton production will be lower at 25.25 million tons. The consumption will be 24.05 million tons. Since the production will be higher than consumption, ending stocks will rise to 14.29 million tons.

ICAC's price forecast (Cotlook 'A' Index) for the season 2010-11 was 164 cents per pound. For 2011-12 the earlier forecast of 85 cents per pound went totally haywire and the price spurted to a steep level of \$ 1.65 per pound. For the season 2011-12, the current forecast is that it will be significantly lower than 105 cents per pound, but it will be higher than the ten-year average of 60 cents per pound. It is obvious that cotton supply situation and prices will depend on future policies that may be followed by China, which is holding a massive cotton reserves..

OPPORTUNITIES AND THREATS

The health of textile units is primarily dependent on adequate availability of quality cottons at competitive prices. With the augmented supply of quality seed and larger production of hybrids and Bt. cottons, production of cotton in the coming season 2012-13 is forecast to be comfortable.

Inadequate Duty Drawback rates run counter to the well-accepted Government Policy of not exporting taxes. It may be stated that Duty Drawback is not incentive but only refund of indirect taxes suffered by export products. Further, remission of duties suffered by exported products is totally WTO-compliant. One can only hope that Government will revise upward Duty Drawback rates to reflect the actual incidence of duties and taxes borne by exported textile products.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The company is engaged in the business of manufacture and export of cotton yarn and accordingly this is the only Single Reportable Segment.

OUTLOOK

Global exports of textiles and clothing in 2010 were 602 billion USD, as per WTO figures. China's share in the global trade in textiles / clothing was 36 per cent and that of India a barely 4 per cent. With the rising costs in China and its deliberate shift in favour of domestic consumption, India has tremendous scope in boosting its share to a more respectable figure. Further, by 2020, world exports of textiles / clothing are projected to increase to 1,000 billion USD. The expectation is that India's exports would rise from 30 billion USD to 80 billion USD by 2020. This will provide immense potential to India for enhancing its exports.

On the domestic front also India is poised for a healthy growth, in view of rising population, sustained increase in per capita income and disposable surplus, favourable demographic profile and changing lifestyle. Besides, Government of India is becoming increasingly sensitive to the needs of the textile industry and taking ameliorative measures in regard to debt restructuring scheme, extension of TUFS and TMC in the Twelfth Five Year Plan etc. Another area is rapid growth of technical textiles for which Government has been providing encouraging support.

Above all, India is in a unique position of having an integrated textile set-up endowed with presence across all the textile value chain from fibres to fashion garments.

All these favourable factors indicate extremely bright and positive future for the healthy growth of the Indian textile industry.

RISKS AND CONCERNS

- (I) Raw Cotton, an agricultural product, is the key raw material used for the manufacture of cotton yarn. Almost 65 per cent of area under cotton cultivation is rain-fed and hence is dependent on vagaries of monsoon. Adequate availability of raw cotton at right prices is crucial for the Company. Any disruption in the supply and/or violent changes in the cost structure would affect the profitability of the Company.
- (II) The RBI's monetary policies are largely dictated towards controlling the inflation. Consequently, it has been raising the rates of interest, making the finance cost higher. However, for the first time in three years, RBI has announced in April, 2012 a reduction of a half per cent in interest rate. This will provide some relief in the finance cost.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- (III) Your company follows an efficient inventory management system and a well-crafted strategy of procuring raw materials through a mix of spot and long-term contracts. The company's conscious efforts on maintaining a judicious mix of markets for its sales and thrust on specialty products like organic, Fair Trade and Better Cotton Initiative (BCI) textile products have also proved to be beneficial
- (IV) Volatility in foreign currency exchange rates vis-a-vis Indian Rupee is another area of concern since a sizeable production of cotton yarn is exported by your Company. The Company has in place various Management Information Systems, which enable the management to take decisions on exposures relating to exports, imports, foreign currency loans, etc. The Company continues to strengthen these systems to minimize the risk involved due to adverse movement of exchange rates.
- (V) 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.
- (VI) Apart from the intensification of international competition, the areas of concern are poor infrastructure resulting in higher transaction cost, very high power cuts especially in Tamil Nadu and Andhra Pradesh and Government's reluctance to introduce labour reforms. It is hoped that satisfactory solutions will be found in the near future.
- (VII) Another area of concern is Government's periodical announcements for liberalized tariff concessions offered to Least Developed countries like Bangladesh, Nepal, Bhutan and other countries under SAFTA. Recently, Government of India has unilaterally extended tariff concessions to Pakistan by reducing the number of products in the Sensitive List of India for non LDCs under SAFTA. The industry has requested the Ministry of Commerce and Industry that 146 products covered in the Sensitive List may be retained and no such tariff concession be offered to non-LDCs under SAFTA. The industry has also requested that at least a nominal import tariff of 5 per cent may be retained for all products that may be removed from the Sensitive List and specific duty rates, where applicable, may be retained.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensue that all assets are safeguarded and protected against loss from unauthorised use or disposition and that all transactions are authorized, 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 financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

DISCUSSIONS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Please refer to Directors' Report on performance review.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, 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, the Company continues to develop its human resources, through a variety of services by providing appropriate training, motivation techniques and employee welfare activities.

Industrial relations are cordial and satisfactory.

As on 31st March, 2012, the Company has about 1267 employees in its various offices and factory.

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 result 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 Government regulations and tax laws, economic conditions affecting demand / supplies and other environmental factors over which the company does not have any control.

AUDITORS' REPORT

Auditor's Report to the Members of PATSPIN INDIA LIMITED

1. We have audited the attached Balance Sheet of PATSPIN INDIA LIMITED as at 31st March, 2012, Statement of Profit and Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) Amendment Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) 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;
 - ii) 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;
 - iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the Books of Account;
 - iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representation received from the directors, as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, on the said date.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies give the information required by the Companies Act, 1956, 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 31st March, 2012;
 - 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.

FOR M S JAGANNATHAN & VISVANATHAN
CHARTERED ACCOUNTANTS (FRN 001209S)

(R.MUGUNTHAN)
PARTNER
M NO.21397

Place : Kochi
Date : 23rd May, 2012

Annexure referred to in our Report of even date on the accounts for the year ended 31st March, 2012 of PATSPIN INDIA LIMITED.

On the basis of such checks as we considered appropriate during the course of our audit, we state that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets are physically verified in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
- (c) During the year, there was no sale of substantial part of fixed assets and hence the going concern of the Company is not affected.
- (ii) (a) During the year, inventory has been physically verified by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company had not granted loan to Companies covered in the register maintained under Section 301 of the Companies Act, 1956 and hence sub clauses (b) to (d) of clause (iii) of the said Order are not applicable.
- (b) The Company had taken deposits from eight parties amounting to ₹188 lakhs and maximum amount outstanding at anytime during the year was ₹456 lakhs and year end balance was ₹ 49 lakhs.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the deposits taken by the Company are prima facie not prejudicial to the interest of the Company.
- (d) The re-payment of Deposits and payment of interest are as stipulated.
- (e) There is no overdue amount in respect of the fixed deposit mentioned in para (b) above.
- (iv) In our opinion and according to the information and explanations given to us, 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 internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 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, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the Books of Account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

Annexure referred to in our Report of even date on the accounts for the year ended 31st March, 2011 of PATSPIN INDIA LIMITED. (Contd.)

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanation given to us there is following dues of which have not been deposited on account of dispute and the same is being contested by the Company.

| Srl. No. | Name of the Statute | Nature of the Dues | Amount (₹ in lacs) | Year to which the amount relates | Forum where dispute is pending |
|-----------------|----------------------------|---------------------------|---------------------------|---|---------------------------------------|
| 1) | Income Tax Act, 1961 | Income Tax | 16 | A.Y.2001-02 to 2005-06 | Honourable Supreme Court of India |

- (x) The Company has accumulated losses of ₹2324 lakhs as at 31st March, 2012. The Company has incurred cash loss of ₹1608 Lakhs during the financial year covered by our audit and the company had not incurred any cash loss during immediately preceding financial year.
- (xi) Based on our Audit procedures and according to the information given to us, the company has not defaulted in repayment of dues to Financial Institutions and Banks.
- (xii) In our opinion and 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 and other securities.
- (xiii) In our opinion, the Company is not chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) During the year, the Company has given guarantee to an extent of ₹350 lakhs and ₹777 lakhs for loan borrowed by GTN Textiles Limited and GTN Enterprises Limited respectively from a Financial Institution and the terms and conditions whereof are prima facie not prejudicial to the interest of the company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that ₹4044 lakhs raised on short term basis have been used for long term purpose.
- (xviii) During the year, Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any monies by way of Public Issues during the year.
- (xxi) According to the explanation and information given to us, based upon the audit procedures performed and representations made by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our Audit.

FOR M S JAGANNATHAN & VISVANATHAN
CHARTERED ACCOUNTANTS (FRN 001209S)

(R.MUGUNTHAN)
PARTNER
M NO.21397

Place : Kochi
 Date : 23rd May, 2012

PATSPIN INDIA LIMITED

BALANCE SHEET

| | Note | As at 31.03.2012 (Rs. in lacs) | As at 31.03.2011 (Rs. in lacs) |
|------------------------------------|--------|--------------------------------------|--------------------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 2 | 3792.00 | 3792.00 |
| (b) Reserves and surplus | 3 | (855.47) | 1499.16 |
| Sub-Total | | <u>2936.53</u> | <u>5291.16</u> |
| 2 Non-current liabilities | | | |
| (a) Long-term borrowings | 4 | 19147.15 | 20036.41 |
| (b) Deferred tax liabilities (Net) | 5 | 544.14 | 1810.98 |
| Sub-Total | | <u>19691.29</u> | <u>21847.39</u> |
| 3 Current liabilities | | | |
| (a) Short-term borrowings | 6 | 9225.17 | 6869.78 |
| (b) Trade payables | 7 | 2718.39 | 2480.44 |
| (c) Other current liabilities | 8 | 3697.69 | 3619.50 |
| (d) Short-term provisions | 9 | 56.05 | 53.13 |
| Sub-Total | | <u>15697.30</u> | <u>13022.85</u> |
| TOTAL | | <u><u>38325.12</u></u> | <u><u>40161.40</u></u> |
| II. ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed assets | 10 | | |
| (i) Tangible assets | 10 (a) | 22497.62 | 23218.45 |
| (ii) Intangible assets | 10 (b) | 35.98 | 17.22 |
| (iii) Capital work-in-progress | 10 (c) | 552.31 | — |
| (b) Non-current investments | 11 | 0.32 | 0.32 |
| (c) Long-term loans and advances | 12 | 908.67 | 780.19 |
| Sub-Total | | <u>23994.90</u> | <u>24016.18</u> |
| 2 Current assets | | | |
| (a) Inventories | 13 | 9434.20 | 11790.43 |
| (b) Trade receivables | 14 | 2572.21 | 1968.92 |
| (c) Cash and Bank Balances | 15 | 792.19 | 655.91 |
| (d) Short-term loans and advances | 16 | 1522.72 | 1706.32 |
| (e) Other current assets | 17 | 8.90 | 23.64 |
| Sub-Total | | <u>14330.22</u> | <u>16145.22</u> |
| TOTAL | | <u><u>38325.12</u></u> | <u><u>40161.40</u></u> |

Significant Accounting Policies

1

The accompanying Notes are an integral part of the financial statements

As per our report of even date attached
For **M. S. JAGANNATHAN & VISVANATHAN**
Chartered Accountants (FRN 001209S)

For and on behalf of the board

B. K. PATODIA
Chairman

N. K. BAFNA
Director

R. MUGUNTHAN
Partner
(M. No.21397)

UMANG PATODIA
Managing Director

Place: Kochi
Date: 23rd May 2012

ABHILASH N. A.
Company Secretary

PATSPIN INDIA LIMITED

STATEMENT OF PROFIT AND LOSS

| | Note | Year Ended 31.03.2012 (Rs. in lacs) | Year Ended 31.03.2011 (Rs. in lacs) |
|---|------|---|---|
| REVENUE : | | | |
| Income from Operations | 18 | 42610.96 | 42497.66 |
| Other Income | 19 | 58.99 | 354.88 |
| Total Revenue | | 42669.95 | 42852.54 |
| EXPENSES: | | | |
| Cost of Materials Consumed | 20 | 31626.18 | 26137.71 |
| Purchases of Stock-in-Trade | | 2091.85 | 2962.68 |
| Changes in inventories of Finished goods, Goods -in-process and Waste | 21 | (384.24) | (1259.52) |
| Employee Benefits Expense | 22 | 1836.24 | 1658.86 |
| Finance Costs | 23 | 2809.19 | 2130.10 |
| Depreciation and Amortization Expense | | 2014.26 | 1985.17 |
| Other Expenses | 24 | 6297.93 | 5345.42 |
| Total Expenses | | 46291.41 | 38960.42 |
| Profit/(Loss) before exceptional and extraordinary items and tax | | (3621.46) | 3892.12 |
| Exceptional Items | | — | — |
| Profit/(Loss) before extraordinary items and tax | | (3621.46) | 3892.12 |
| Extraordinary Items | | — | — |
| Profit/(Loss) before tax | | (3621.46) | 3892.12 |
| Tax Expense: | | | |
| Provision for Current tax (MAT) | | — | 432.31 |
| Less: Minimum Alternate Tax (MAT) credit Entitlement | | — | 432.31 |
| Deferred tax Liability / (Reversal) | | (1266.83) | 1357.63 |
| Profit / (Loss) for the year | | (2354.63) | 2534.49 |
| Earnings Per Share: (Nominal Value per share:Rs 10) | | | |
| Basic and diluted - in Rs. | | (7.61) | 8.20 |
| Significant Accounting Policies | 1 | | |

As per our report of even date attached

For **M. S. JAGANNATHAN & VISVANATHAN**

Chartered Accountants (FRN 001209S)

R. MUGUNTHAN

Partner

(M. No.21397)

Place: Kochi

Date: 23rd May 2012

For and on behalf of the board

B. K. PATODIA

Chairman

N. K. BAFNA

Director

UMANG PATODIA

Managing Director

ABHILASH N. A.

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

| | 2011-12 (Rs. in lacs) | 2010-11 (Rs. in lacs) |
|--|--------------------------|--------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss) before tax and extra ordinary items | (3621.46) | 3892.12 |
| Adjustments for: | | |
| Depreciation | 2006.31 | 1978.30 |
| Amortisation | 7.95 | 6.87 |
| Loss on sale of tangible assets (net) | 0.21 | 4.29 |
| Provision for doubtful debt | - | 23.99 |
| Unrealised Foreign Currency Gain /(Loss) | 110.54 | (18.98) |
| Interest income | (58.88) | (55.60) |
| Interest Expenditure | 2585.09 | 2033.99 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 1029.76 | 7864.98 |
| Changes in Working Capital: | | |
| Increase / (Decrease) in trade payables | 204.60 | (230.40) |
| Increase / (Decrease) in provisions | 2.92 | (5.49) |
| Increase / (Decrease) in other current liabilities | 464.25 | 158.33 |
| (Increase) / Decrease in trade receivables | (607.73) | (388.11) |
| (Increase) / Decrease in inventories | 2356.23 | (5769.36) |
| (Increase) / Decrease in Short Term loans and advances | 183.60 | 94.65 |
| (Increase) / Decrease in other current assets | 14.74 | 82.71 |
| (Increase) / Decrease in other Bank balances | 61.38 | 44.76 |
| CASH GENERATED FROM OPERATIONS | 3709.75 | 1852.07 |
| Direct Taxes paid | (144.88) | (332.10) |
| NET CASH GENERATED FROM OPERATIONS BEFORE EXTRAORDINARY ITEMS | 3564.87 | 1519.97 |
| Extraordinary items | - | - |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 3564.87 | 1519.97 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of tangible/intangible assets | (1848.37) | (1144.19) |
| Sale of tangible/intangible assets | 0.05 | 250.15 |
| Interest received | 58.88 | 55.60 |
| NET CASH FROM INVESTING ACTIVITIES | (1789.44) | (838.44) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Issue of Preference Share Capital | - | 250.00 |
| Interest paid | (2632.78) | (2158.18) |
| Proceeds from Long Term borrowings | 1589.00 | 681.59 |
| Repayment of Long Term borrowings | (2811.18) | (2156.53) |
| Proceeds from Short Term Borrowings | 2282.64 | 2299.78 |
| Repayment of Finance Lease Obligations (Net) | (5.45) | 25.30 |
| NET CASH USED IN FINANCING ACTIVITIES | (1577.77) | (1058.04) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 197.66 | (376.51) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 158.38 | 534.89 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 356.04 | 158.38 |

Note:

- 1 The above cash flow statement has been prepared by using the indirect method as per Accounting Standard 3-Cash Flow statement.
- 2 Previous year's figures have been regrouped wherever necessary.

As per our report of even date attached
For **M. S. JAGANNATHAN & VISVANATHAN**
Chartered Accountants (FRN 001209S)

For and on behalf of the board

B. K. PATODIA
Chairman

N. K. BAFNA
Director

R. MUGUNTHAN
Partner
(M. No.21397)

UMANG PATODIA
Managing Director

Place: Kochi
Date: 23rd May 2012

ABHILASH N. A.
Company Secretary

PATSPIN INDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

I. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

The financial statements are prepared to comply with the mandatory Accounting Standards prescribed in the Companies (Accounting Standards) Rules 2006, issued by the National Advisory Committee on Accounting Standards and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, on the basis of a going concern and on accrual basis.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities

B) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses of that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognised prospectively.

C) FIXED ASSETS

(i) Tangible Assets/Intangible Assets are stated at acquisition cost less net of accumulated depreciation. Expenditure during construction period in respect of new project/expansion is allocated to the respective fixed assets on their being ready for commercial use. Fixed Assets are eliminated from financial statements, either on disposal or when retired from active use. Also refer Policy G and J below. Losses arising from the retirement of, and gains or losses arising from disposal of Fixed Assets which are carried at cost are recognised in the Statement of Profit and Loss.

(ii) Impairment of Assets : The company assesses at each Balance Sheet date whether there is any indication that any asset (both tangible and intangible) may be impaired, if any such indication exists, the carrying value of such assets is reduced to recoverable amount and the impairment loss is charged to Statement of Profit and Loss. If at the Balance sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

D) INVESTMENTS

Long term investments are stated at cost less provision, if any, for other than temporary diminution in the value of investments.

E) INVENTORIES

Inventories are stated at lower of cost and net realisable value. Cost of raw material is computed by using "Specific identification" method and for other inventories "Weighted Average" method. The cost includes cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

F) REVENUE RECOGNITION

Sales are recognised as and when risks and rewards of ownership are passed on to the buyer and ultimate realisation of price is reasonably certain. Export Sales are inclusive of deemed exports while domestic sales are net of Value Added Tax. Claims and other incomes are recognised based on virtual certainty of such claims and incomes.

G) BORROWING COST

Borrowing costs 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.

H) DEPRECIATION

Depreciation has been provided at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Plant and Equipment have been, on technical assessment, considered as continuous process plants as defined in the said Schedule and depreciation has been provided accordingly.

Depreciation on Wind Turbine Machinery has been provided on Straight Line Method at general rates as specified in the said Schedule.

Intangible Assets are amortised at the rate of 16.21% on Straight line basis over their estimated useful lives.

I) EMPLOYEE BENEFITS

Short Term employee benefits including accrued liability for Leave Encashment (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are paid/provided during the year as per the Rules of the Company.

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

Defined Contribution Plans:

Company's contributions paid/payable during the year to Provident and Family Pension Funds, Superannuation Fund (wherever opted) and ESIC are recognized in the statement of Profit & Loss.

Defined Benefit plans:

The Employees' Gratuity Fund Scheme covered by the Group Gratuity-cum-Life Assurance Policy of LIC of India is a Defined Benefit Plan. The present value of obligation is determined based on actuarial valuation using Projected Unit Credit Method which recognizes each period of service as giving rise to additional amount of employee benefit entitlement and measures each unit separately to build up the final obligation.

Termination Benefits:

Payments under Voluntary Retirement Scheme, if any are recognized in the Statement of Profit and Loss Account of the year in which such payments are effected.

J) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the rate of exchange in force on the date of transactions.

Foreign currency assets and liabilities both monetary and non monetary are stated at the rate of exchange prevailing at the year-end and resultant gains /losses are recognised in the Statement of Profit and Loss. Premium /Discount in respect of forward foreign exchange contracts is recognised over the life of the contracts.

K) TAXATION

Income Tax expenses comprises Current Tax and Deferred Tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year, unabsorbed depreciation or carry forward loss under taxation laws).

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 on the Balance Sheet date.

Deferred Tax Assets are recognised only to the extent that there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carry forward loss under Taxation laws, Deferred Tax Assets are recognised only if there is virtual certainty of realisation of such assets. Deferred Tax Assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be, to be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred Tax Assets and Deferred Tax Liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the Deferred Tax Assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period and is reviewed at each Balance Sheet date.

L) PROVISIONS AND CONTINGENT LIABILITIES

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made, is termed as a contingent liability.

M) CASH AND CASH EQUIVALENTS

In the Cash Flow Statement, cash and cash equivalents includes Cash in Hand, Demand Deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

N) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Net Profit or Loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share is the net profit for the year. For the purpose of calculating diluted earnings per share, the Net Profit or Loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

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

2 SHARE CAPITAL

| | As at 31.03.2012 (Rs. In lacs) | As at 31.03.2011 (Rs. In lacs) |
|--|-----------------------------------|-----------------------------------|
| a Authorised: | | |
| 400,00,000 Equity shares of Rs.10 each | 4000.00 | 4000.00 |
| 25,00,000 Redeemable preference shares of Rs.100 each | 2500.00 | 2500.00 |
| b Issued ,Subscribed and paid up: | | |
| 309,20,000 Equity shares of Rs.10 each | 3092.00 | 3092.00 |
| 7,00,000 5% Non Cumulative Redeemable preference shares of Rs.100 each | 700.00 | 700.00 |
| Total | 3792.00 | 3792.00 |

(c) Reconciliation of number of shares

| | As at 31.03.2012 | | As at 31.03.2011 | |
|---|------------------|----------------|------------------|----------------|
| | No of Shares | Amount Rs lacs | No of Shares | Amount Rs lacs |
| 1 Equity Shares: | | | | |
| Balance as at the beginning of the year | 30,920,000 | 3092.00 | 30,920,000 | 3,092.00 |
| Add: Shares issued during the Year | Nil | Nil | Nil | Nil |
| Balance as at the end of the year | 30,920,000 | 3092.00 | 30,920,000 | 3,092.00 |
| 2 Preference Shares | | | | |
| Balance as at the beginning of the year | 700,000 | 700.00 | 4,500,000 | 450.00 |
| Add: Shares issued during the Year | Nil | Nil | 2,500,000 | 250.00 |
| Balance as at the end of the year | 700,000 | 700.00 | 7,000,000 | 700.00 |

(d) Rights, preferences and restrictions attached to shares

Preference Shares:

700000, 5% Non Cumulative preference shares of Rs 100 each were issued to promoters and their associates .The issue details are as follows.

| Series | No of Shares | Date of Issue | Date of Redemption | Earlier Redemption |
|--------|--------------|---------------|--------------------|--------------------|
| I | 350000 | 31.07.2009 | 30.07.2021 | 30.07.2014 |
| II | 100000 | 08.02.2010 | 07.02.2022 | 07.02.2015 |
| III | 100000 | 31.05.2010 | 30.05.2022 | 30.05.2015 |
| IV | 150000 | 13.07.2010 | 12.07.2022 | 12.07.2015 |

(e) Shares held by holding/Ultimate holding company/or their subsidiaries/associates

| | As at 31.03.2012 | | As at 31.03.2011 | |
|----------------------------------|------------------|---------------------------|------------------|---------------------------|
| | No of Shares | % of holding in the Class | No of Shares | % of holding in the Class |
| 1 Equity Shares: | | | | |
| GTN Textiles Limited (Associate) | 14257068 | 46.21% | 14257068 | 46.21% |
| 2 Preference Shares: | Nil | Nil | Nil | Nil |

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

(f) Details of shareholders holding more than 5% of shares in the Company

| | | As at 31.03.2012 | | As at 31.03.2011 | |
|-----|---|------------------|---------------------------|------------------|---------------------------|
| | | No of Shares | % of holding in the Class | No of Shares | % of holding in the Class |
| 1 | Equity Shares: | | | | |
| | Name of share Holder | | | | |
| i | GTN Textiles Limited (Associate) | 14257068 | 46.21% | 14257068 | 46.21% |
| ii | KSIDC Ltd (Promoter) | 2490000 | 8.05% | 2490000 | 8.05% |
| iii | Itochu Textiles Materials (Asia) Ltd (Promoter) | 3000000 | 9.70% | 3000000 | 9.70% |
| 2 | Preference Shares: | | | | |
| i | Smt Deepa Bagla | 600000 | 85.71% | 600000 | 85.71% |
| ii | Shri B.K.Patodia | 75000 | 10.71% | 75000 | 10.71% |

3 RESERVES AND SURPLUS

| | As at 31.03.2012 (Rs. In lacs) | As at 31.03.2011 (Rs. In lacs) |
|--|-----------------------------------|-----------------------------------|
| Capital Redemption Reserve | | |
| Balance as at the beginning and the end of the year | 1000.00 | 1000.00 |
| Securities Premium Account | | |
| Balance as at the beginning and the end of the year | 468.28 | 468.28 |
| Surplus/(Deficit) in the Statement of Profit and Loss | | |
| Balance as at the beginning of the year | 30.88 | (2503.61) |
| Less: Profit/(Loss) for the year from the Statement of Profit and Loss | (2354.63) | 2534.49 |
| Balance as at the end of the year | <u>(2323.75)</u> | <u>30.88</u> |
| Total Reserves and Surplus | <u><u>(855.47)</u></u> | <u><u>1499.16</u></u> |

4 LONG TERM BORROWINGS

| | As at 31.03.2012 (Rs. In lacs) | | As at 31.03.2011 (Rs. In lacs) | |
|---------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Non Current | Current | Non Current | Current |
| SECURED LOANS | | | | |
| (a) Term Loans : | | | | |
| (i) From Financial Institutions | 1154.05 | 146.30 | 392.35 | 245.88 |
| (ii) From Banks | 17975.26 | 2326.51 | 19620.77 | 2565.30 |
| (b) Finance Lease obligations | | | | |
| From Banks | 17.84 | 5.45 | 23.29 | 5.45 |
| Total | <u>19147.15</u> | <u>2478.26</u> | <u>20036.41</u> | <u>2816.63</u> |

I Term Loan are secured by :

- Term loans from banks and financial institution, excluding corporate term loan from a bank of Rs. 1500 lacs (security for which is explained in Para 1(ii) below) and Term Loan from a financial institution of Rs 2000 lacs (security for which is explained in Para 1(iii) below) , are secured by first charge by way of equitable mortgage on all the immovable assets of the company, both present and future, and by way of hypothecation on all moveable assets (excluding vehicle purchased on Finance lease basis) of the company, and further secured by second charge on current assets of the company, subject to prior charges in favour of banks for working capital ranking pari passu, inter se (as mentioned in Note No 6 , Para (i) and (ii) below), and further secured by personal guarantee of 2 Directors of the Company.
- Corporate term loan from a bank of Rs. 1500 lacs mentioned in para 1 (i) above is secured by way of hypothecation of moveable assets (excluding vehicle purchased on Finance lease basis) of the company, both present and

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

future, has been secured by second charge by way of equitable mortgage on the immovable assets of the company, both present and future, and further secured by personal guarantee of two directors of the Company

- (iii) Term Loan from a financial institution of Rs 2000 lacs is secured by first charge by way of equitable mortgage on all the immovable assets of the company, both present and future, and by way of hypothecation on all movable assets (excluding vehicle purchased on Finance lease basis) of the company, and further secured by second charge on current assets of the company, subject to prior charges in favour of banks for working capital ranking pari passu, inter se (as mentioned in Note No 6, Para (i) and (ii) below), and further secured by Corporate Guarantee from GTN Textiles Limited (Rs 300 lacs) and GTN Enterprises Limited (Rs 1700 lacs).
- (iv) Finance lease obligations are relating to vehicles and are secured by hypothecation of respective vehicles costing Rs.40.53 lacs (Previous year Rs.40.53 lacs)

II The Maturity Pattern of Secured Loans are as set out below:

Rs Lacs

| | | Maturity Pattern | | |
|---|---------------------------|------------------|-----------|----------------|
| | | Within One Year | 1-5 Years | Beyond 5 Years |
| a | Term Loans | 2473 | 13376 | 5753 |
| b | Finance Lease obligations | 5 | 18 | Nil |

5 DEFERRED TAX LIABILITY (Net)

| | As at 31.03.2012 (Rs. In lacs) | As at 31.03.2011 (Rs. In lacs) |
|---|---|-----------------------------------|
| a Deferred Tax Liability | | |
| Difference of Net value between Books and Income tax Depreciation | 3608.93 | 3736.39 |
| b Deferred Tax Asset | | |
| Unabsorbed Depreciation | (2938.74) | (1818.89) |
| Other disallowances | (126.05) | (106.52) |
| Net Deferred Tax Liability | 544.14 | 1810.98 |
| | As at 31.03.2012 (Rs. In lacs) | As at 31.03.2011 (Rs. In lacs) |

6 SHORT TERM BORROWINGS

| | | |
|------------------------------|----------------|---------|
| a SECURED LOANS | | |
| WORKING CAPITAL LOANS | | |
| From Banks | 9126.17 | 6375.28 |
| b UNSECURED LOANS | | |
| 1. Corporate Deposits | 50.00 | 226.50 |
| 2. Fixed Deposits | | |
| - Directors | 40.00 | 154.00 |
| - Public | 9.00 | 114.00 |
| Total | 9225.17 | 6869.78 |

i Working Capital limits from Banks are secured by:

Working Capital loans from banks are secured by first charge by way of hypothecation on current assets of the company and further secured/to be secured by way of second charge over the immovable assets of the company both present and future and further secured by personal guarantee of 2 directors of the Company.

ii Non Fund based limits from Banks are secured by:

Non-fund based limits sanctioned by the bankers are secured by extension of first charge on the current assets of the Company and further secured/to be secured by second charge on the immovable properties of the company and personal guarantee of 2 directors of the company; Total amount outstanding at the end of the year is Rs.3817.09 lacs (Previous year Rs.3918.17 lacs).

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

7 TRADE PAYABLES

| | As at 31.03.2012 (Rs. In lacs) | As at 31.03.2011 (Rs. In lacs) |
|--|-----------------------------------|-----------------------------------|
| Due to Micro, Small and Medium Enterprises (MSME's) (Refer Note No 32) | | |
| Other than MSME's | 2718.39 | 2480.44 |
| Total | 2718.39 | 2480.44 |

8 OTHER CURRENT LIABILITIES

| | | |
|--|----------------|----------------|
| Current maturities of long-term debt (Refer Note 4) | 2472.81 | 2811.18 |
| Current maturities of Finance lease obligations (Refer Note 4) | 5.45 | 5.45 |
| Interest accrued but not due on borrowings | 13.77 | 61.46 |
| Unclaimed dividends * | 16.78 | 22.38 |
| Creditors for Capital Expenditure | 451.71 | — |
| Advances from customers | 437.98 | 247.87 |
| Statutory and Other dues payable | 44.49 | 100.89 |
| Expenses Payable | 254.70 | 370.27 |
| Total | 3697.69 | 3619.50 |

*Due to Investors Education and Protection Fund Under Section 205C of the Companies Act, 1956 will be determined on the respective due dates.

9 SHORT TERM PROVISIONS

| | | |
|---------------------------------|--------------|--------------|
| Provision for Employee benefits | 56.05 | 53.13 |
| Total | 56.05 | 53.13 |

10 FIXED ASSETS

(Rs. in lacs)

| Description of Assets | Gross Block | | | | Depreciation/Amortisation | | | | Net Block | |
|--|---------------------|----------|-----------------------------|---------------------|---------------------------|--------------|-----------------------------|---------------------|---------------------|---------------------|
| | As at 01.04.2011 | Addition | Deductions / Adjustments | As at 31.03.2012 | As at 01.04.2011 | For the Year | Deductions / Adjustments | As at 31.03.2012 | As at 31.03.2012 | As at 31.03.2011 |
| A TANGIBLE ASSETS | | | | | | | | | | |
| a, Own Assets | | | | | | | | | | |
| Land -Freehold | 273.16 | | | 273.16 | | | | | 273.16 | 273.16 |
| Building | 4792.40 | 5.72 | | 4798.12 | 1281.76 | 137.21 | | 1418.97 | 3379.15 | 3510.64 |
| Plant and Equipment | 27408.75 | 1278.19 | 0.06 | 28686.88 | 10079.28 | 1487.08 | 0.03 | 11566.33 | 17120.55 | 17329.47 |
| -do- Wind Mill | 3453.95 | | | 3453.95 | 1511.38 | 358.85 | | 1870.23 | 1583.72 | 1942.57 |
| Furniture | 163.56 | 0.61 | | 164.17 | 87.08 | 7.07 | | 94.15 | 70.02 | 76.48 |
| Office Equipments | 126.40 | 1.23 | 0.37 | 127.26 | 110.91 | 3.21 | 0.13 | 113.99 | 13.27 | 15.49 |
| Vehicles | 101.87 | | | 101.87 | 70.01 | 9.04 | | 79.05 | 22.82 | 31.86 |
| b, Assets taken on Finance Lease: | | | | | | | | | | |
| Vehicles * | 40.53 | | | 40.53 | 1.75 | 3.85 | | 5.60 | 34.93 | 38.78 |
| Total A | 36360.62 | 1285.75 | 0.43 | 37645.94 | 13142.17 | 2006.31 | 0.16 | 15148.32 | 22497.62 | 23218.45 |
| Previous Year end | 36649.65 | 1035.14 | 1324.17 | 36360.62 | 12233.60 | 1978.30 | 1069.73 | 13142.17 | 23218.45 | |
| B INTANGIBLE ASSETS | | | | | | | | | | |
| Computer Software | 204.64 | 26.71 | | 231.35 | 187.42 | 7.95 | | 195.37 | 35.98 | 17.22 |
| Total B | 204.64 | 26.71 | | 231.35 | 187.42 | 7.95 | | 195.37 | 35.98 | 17.22 |
| Previous Year end | 201.74 | 2.90 | | 204.64 | 180.55 | 6.87 | — | 187.42 | 17.22 | |
| Total A + B | 36565.26 | 1312.46 | 0.43 | 37877.29 | 13329.59 | 2014.26 | 0.16 | 15343.69 | 22533.60 | 23235.67 |
| Previous Year end Total | 36851.39 | 1038.04 | 1324.17 | 36565.26 | 12414.15 | 1985.17 | 1069.73 | 13329.59 | 23235.67 | |
| C Capital Work -in Progress | | | | | | | | | 552.31 | - |

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

Capital Work-in-Progress (at cost) comprises :

| | As at 31.03.2012 (Rs. In lacs) | As at 31.03.2011 (Rs. In lacs) |
|--|-----------------------------------|-----------------------------------|
| Building under construction | 72.01 | - |
| Plant and Equipment under installation | 451.52 | - |
| Borrowing Costs | 28.78 | - |
| Total | 552.31 | - |
| 11 NON CURRENT INVESTMENTS | | |
| LONG TERM INVESTMENT AT COST | | |
| In Government Securities | | |
| Non-Trade (unquoted) | | |
| National Savings Certificates (Lodged with statutory authorities) | 0.32 | 0.32 |
| | 0.32 | 0.32 |
| 12 LONG TERM LOANS AND ADVANCES | | |
| Unsecured and considered good | | |
| Capital Advances | 93.91 | 110.31 |
| Income Tax (Net of Provision Rs. 562.77 lacs; Previous year Rs. 562.77 lacs) | 382.45 | 237.57 |
| Minimum Alternate Tax Credit entitlement | 432.31 | 432.31 |
| | 908.67 | 780.19 |
| 13 INVENTORIES | | |
| Stores, Spares and Packing Materials - (Refer Note No 1(E) of Accounting Policy) | 79.32 | 80.01 |
| Stock In Trade - (Refer Note No 1(E) of Accounting Policy) | | |
| Raw Materials | 6398.03 | 9137.81 |
| Goods-in-Process | 834.45 | 938.11 |
| Finished Goods | 2100.50 | 1578.83 |
| Waste Stock | 21.90 | 55.67 |
| | 9434.20 | 11790.43 |
| 14 TRADE RECEIVABLES | | |
| Unsecured, considered good unless otherwise stated | | |
| More than six months | | |
| Doubtful | 23.11 | 23.99 |
| Considered good | 23.20 | 4.68 |
| | 46.31 | 28.67 |
| Less: Provision for Doubtful Debts | 23.11 | 23.99 |
| | 23.20 | 4.68 |
| Less than six months | 2549.01 | 1964.24 |
| | 2572.21 | 1968.92 |
| 15 CASH AND BANK BALANCES | | |
| a. Cash and Cash Equivalents : | | |
| Cash in Hand | 1.99 | 3.88 |
| Balances with Scheduled Banks in Current Accounts | 354.05 | 154.50 |
| | 356.04 | 158.38 |

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

| | As at 31.03.2012 (Rs. In lacs) | As at 31.03.2011 (Rs. In lacs) |
|---|-----------------------------------|-----------------------------------|
| b. Other Bank Balances : | | |
| Unpaid Dividend Accounts | 16.78 | 22.38 |
| Margin Money Deposit Accounts | 371.07 | 433.38 |
| Deposit Accounts under lien | <u>48.30</u> | <u>41.77</u> |
| | <u>436.15</u> | <u>497.53</u> |
| Total (a) + (b) | <u><u>792.19</u></u> | <u><u>655.91</u></u> |
| 16 SHORT TERM LOANS AND ADVANCES | | |
| Unsecured considered good, unless otherwise stated: | | |
| Considered doubtful | 2.13 | 2.13 |
| Less: Provision for Doubtful advances | <u>2.13</u> | <u>2.13</u> |
| | — | — |
| TUF Subsidy | 639.06 | 916.93 |
| Export Incentives | 205.53 | 42.89 |
| Security Deposits | 172.94 | 157.66 |
| Prepaid Expenses | 65.53 | 48.68 |
| Balances with Statutory Authorities | 375.34 | 496.16 |
| Other Advances | <u>64.32</u> | <u>44.00</u> |
| | <u><u>1522.72</u></u> | <u><u>1706.32</u></u> |
| 17 OTHER CURRENT ASSETS | | |
| Interest Accrued on Deposits | 8.90 | 23.64 |
| | <u>8.90</u> | <u>23.64</u> |
| | <u><u>8.90</u></u> | <u><u>23.64</u></u> |
| | Year ended | Year ended |
| | 31.03.2012 | 31.03.2011 |
| | (Rs. In lacs) | (Rs. In lacs) |
| 18 INCOME FROM OPERATIONS | | |
| A Sale of Products | | |
| Finished Goods : | | |
| Exports | 18806.30 | 17999.36 |
| Local | 17230.96 | 18257.19 |
| Traded Goods | | |
| Exports | 2339.23 | 3294.70 |
| Waste Sales | | |
| Exports | 786.37 | 447.43 |
| Local | <u>2296.78</u> | <u>2239.85</u> |
| | <u>41459.64</u> | <u>42238.53</u> |
| B Other Operating Revenues | | |
| Sale of Scrap | 25.67 | 26.77 |
| Export Incentives | 1034.88 | 78.91 |
| Job Work Charges | <u>90.77</u> | <u>153.45</u> |
| | <u>1151.32</u> | <u>259.13</u> |
| Gross Sales (A) + (B) | <u>42610.96</u> | <u>42497.66</u> |
| Less : Excise Duty | — | — |
| Net Sales | <u><u>42610.96</u></u> | <u><u>42497.66</u></u> |

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

19 OTHER INCOME

| | Year ended 31.03.2012 (Rs. In lacs) | Year ended 31.03.2011 (Rs. In lacs) |
|--|---|---|
| a Interest Income | 58.88 | 55.60 |
| b Insurance Claim | | 20.44 |
| c Agricultural Income | 0.11 | 0.36 |
| d Gain on foreign currency transaction and translation | | 278.48 |
| Total | 58.99 | 354.88 |

20 COST OF MATERIALS CONSUMED

a Raw materials Consumed

| | | | |
|-------------------------------|----------|----------|----------|
| Opening Inventory | | 9137.81 | 4644.98 |
| Add:Purchases during the Year | 30677.95 | | 30543.97 |
| Less:Sale of Cotton | 2205.73 | 28472.22 | 280.44 |
| Less: Closing Stock | | 6398.03 | 9137.81 |
| | | 31212.00 | 25770.70 |

b Packing Material Consumed

| | | | |
|-------------------------------|--------|-----------------|-----------------|
| Opening Inventory | | 29.84 | 18.10 |
| Add:Purchases during the Year | 415.81 | | 378.75 |
| Less: Closing Stock | | 31.47 | 29.84 |
| | | 414.18 | 367.01 |
| Total | | 31626.18 | 26137.71 |

21 CHANGES IN INVENTORY OF FINISHED GOODS, GOODS IN PROCESS AND WASTE

a Stock at the beginning of the year:

| | | | |
|------------------|--|----------------|----------------|
| Finished Goods | | 1578.83 | 808.69 |
| Goods-in-process | | 938.11 | 470.78 |
| Waste | | 55.67 | 33.62 |
| Total | | 2572.61 | 1313.09 |

b Less : Stock at the end of the year:

| | | | |
|---|--|-----------------|------------------|
| Finished Goods | | 2100.50 | 1578.83 |
| Goods-in-process | | 834.45 | 938.11 |
| Waste | | 21.90 | 55.67 |
| Total | | 2956.85 | 2572.61 |
| Decrease/(Increase) in Inventory (a) - (b) | | (384.24) | (1259.52) |

22 EMPLOYEES BENEFITS EXPENSE

| | | | |
|---|--|----------------|----------------|
| Salaries, Wages and Bonus | | 1491.59 | 1341.41 |
| Contribution to Provident and Other Funds | | 138.23 | 131.23 |
| Welfare Expenses | | 206.42 | 186.22 |
| Total | | 1836.24 | 1658.86 |

23 FINANCE COSTS

| | | | |
|---|--|----------------|----------------|
| Interest Expenses | | 2585.09 | 2033.99 |
| Other Borrowing Costs | | 127.64 | 96.11 |
| Interest on Shortfall of Advance Tax | | 23.71 | — |
| Applicable loss on foreign currency transaction and translation | | 72.75 | — |
| Total | | 2809.19 | 2130.10 |

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

| | Year ended 31.03.2012 (Rs. In lacs) | Year ended 31.03.2011 (Rs. In lacs) |
|--|---|---|
| 24 OTHER EXPENSES | | |
| Power and Fuel | 2845.85 | 2661.67 |
| Repairs to Building | 12.75 | 18.97 |
| Repairs to Machinery | 441.58 | 350.36 |
| Stores and Spares | 76.74 | 107.00 |
| Processing Charges | 375.31 | 334.19 |
| Rent | 15.22 | 14.78 |
| Insurance | 102.19 | 96.35 |
| Rates and Taxes | 33.46 | 38.52 |
| Commission and Brokerage | 482.23 | 498.52 |
| Freight, Forwarding and Other expenses | 722.01 | 784.85 |
| Payment to Auditors | | |
| Audit Fee | 1.40 | 1.10 |
| Cost Audit Fee | 0.90 | 0.69 |
| Tax Audit Fee | 0.56 | 0.11 |
| Certification Charges | 0.44 | 0.54 |
| Out of Pocket Expenses | 1.36 | 1.07 |
| Donation | 2.50 | 1.50 |
| Directors Sitting Fee | 2.65 | 2.50 |
| Provision for Doubtful Debts | — | 23.99 |
| Loss on Sale of Fixed Assets | 0.21 | 4.29 |
| Net loss on foreign currency transaction and translation | 764.58 | — |
| Miscellaneous Expenses | 415.99 | 404.42 |
| Total | <u>6297.93</u> | <u>5345.42</u> |
| 25 EARNING PER SHARE | | |
| | 2011-12 | 2010-11 |
| | (Rs. In lacs) | (Rs. In lacs) |
| Net profit /(Loss) as per statement of profit and loss | (2354.63) | 2534.49 |
| Less: Dividend on Preference Shares | — | — |
| Net profit available to Equity Share holders | (2354.63) | 2534.49 |
| Weighted average No. of Equity Shares (Face value of Rs.10 each) | Nos. 30920000 | 30920000 |
| Basic and diluted Earning Per Share | Rs (7.61) | 8.20 |

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

26 GRATUITY

| | | Gratuity (Funded) 2011-12 Rs | Gratuity (Funded) 2010-11 Rs |
|--|---|---------------------------------------|---------------------------------------|
| A Expense recognised during the year | | | |
| 1 | Current Service Cost | 11.70 | 9.78 |
| 2 | Interest cost | 12.00 | 9.67 |
| 3 | Expected return on plan assets | (14.84) | (12.66) |
| 4 | Actuarial Loss/(Gain) during the year | 8.82 | 19.17 |
| 5 | Expenses recognised in Profit & Loss account | 17.68 | 25.96 |
| B Actual return on Plan assets | | | |
| 1 | Expected return on plan assets | 14.84 | 12.66 |
| 2 | Actuarial Gain/(Loss) on Plan assets | — | — |
| 3 | Actual return on plan assets | 14.84 | 12.66 |
| C Net Asset/(Liability) recognised in the Balance Sheet | | — | — |
| 1 | Present value of the obligation at the year end | 169.63 | 150.05 |
| 2 | Fair Value of plan assets at the year end | 193.08 | 168.42 |
| 3 | Funded status - surplus/(deficit) | 23.45 | 18.37 |
| 4 | Unrecognised past service cost | — | — |
| 5 | Net Asset/(Liability) recognised in the Balance Sheet | 23.45 | 18.37 |
| D Change in Present value of the Obligation during the year | | — | — |
| 1 | Present value of the obligation as at the beginning of year | 150.05 | 120.89 |
| 2 | Current service cost | 11.70 | 9.78 |
| 3 | Interest cost | 12.00 | 9.67 |
| 4 | Benefits paid | 12.95 | 9.46 |
| 5 | Actuarial loss/(gain) on obligation | 8.82 | 19.17 |
| 6 | Present value of obligation at the year end | 169.63 | 150.05 |
| E Change in Assets during the year | | | |
| | Fair Value of plan assets at the beginning of the year | 168.42 | 142.13 |
| | Expected return on plan assets | 14.84 | 12.66 |
| | Contributions made | 22.77 | 23.09 |
| | Benefits paid | 12.95 | 9.46 |
| | Actuarial Loss/(gain) on plan assets | — | — |
| | Fair value of plan assets at the year end | 193.08 | 168.42 |
| F Actuarial Assumptions | | | |
| | Discount rate | 8.00% | 8.00% |
| | Salary escalation | 4.00% | 5.00% |
| | Expected rate of return on plan assets | 9.00% | 9.00% |

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

27 RELATED PARTY DISCLOSURE

Disclosure in respect of Related Parties pursuant to Accounting Standard -18

(a) List of Related Parties

(As identified by the Management)

Related parties with whom company entered in to transactions during the year

i Associates:

- 1 GTN Textiles Limited
- 2 GTN Enterprises Limited

ii Key Management Personnel:

Shri Umang Patodia -Managing Director

iii Enterprises/Entities having "Common Key Management Personnel":

- 1 Perfect Cotton Co.
- 2 Patcot & Co
- 3 Purav Trading Limited
- 4 Standard Cotton Corporation
- 5 Patodia Export and Investments (P) Limited
- 6 Beekaypee Credit (P) Limited
- 7 Umang Finance (P) Limited
- 8 B.K. Patodia (HUF)
- 9 Umang Patodia (HUF)
- 10 Ankur Patodia (HUF)

iv Relatives of Key Management Personnel:

- 1 Shri Binod Kumar Patodia - Father of Shri.Umang Patodia
- 2 Shri Ankur Patodia - Brother of Shri.Umang Patodia
- 3 Smt.Prabha Patodia - Mother of Shri.Umang Patodia
- 4 Smt.Swati Patodia - Sister-in-law of Shri.Umang Patodia

(b) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length:

| Nature of Transactions /Balances | Associates | | Key Management Personnel | | Enterprises/Relatives of Key Management Personnel | |
|----------------------------------|------------|------------|--------------------------|------------|---|------------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| | Rs in lacs | Rs in lacs | Rs in lacs | Rs in lacs | Rs in lacs | Rs in lacs |
| Sales,Service and other income | 3111.19 | 1015.03 | | | | |
| Purchase of Goods and Services | 3591.94 | 2987.17 | | | 6317.77 | 5454.91 |
| Purchase of fixed assets | 30.08 | 3.22 | | | | |
| Sale of fixed assets | Nil | 9.10 | | | | |
| Remuneration paid | | | 59.56 | 59.64 | | |
| Sitting Fees | | | | | 0.30 | 0.30 |
| Interest Paid | | | | | 16.45 | 3.17 |
| Deposits | | | | | 148.00 | 279.50 |
| Guarantee Received | 2000.00 | Nil | | | | |
| Guarantee Provided for | 2113.00 | 1724.00 | | | | |
| Balances as at year end: | | | | | | |
| Amount Payable | 737.12 | 532.58 | | | 110.22 | 688.29 |
| Guarantee Received | 908.00 | Nil | | | | |
| Guarantee Provided for | 2074.00 | 1426.24 | | | | |

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

(c) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties

| | Transactions | |
|--|-----------------------|-----------------------|
| | 2011-12 Rs in lacs | 2010-11 Rs in lacs |
| (i) Sale of goods | | |
| a) Cotton | | |
| i) GTN Textiles Ltd. | 1234.20 | 102.98 |
| ii) GTN Enterprises Ltd. | 868.72 | Nil |
| b) Cotton Yarn | | |
| i) GTN Textiles Ltd. | 541.37 | 383.86 |
| ii) GTN Enterprises Ltd. | 372.15 | 371.51 |
| c) Store Items | | |
| i) GTN Textiles Ltd. | 0.25 | Nil |
| (ii) Purchase of goods | | |
| a) Cotton | | |
| i) GTN Textiles Ltd. | 2588.39 | 1104.61 |
| ii) GTN Enterprises Ltd. | 81.77 | 1015.33 |
| iii) Standard Cotton Corporation | 2397.38 | 1443.68 |
| iv) Patcot & Co. | 3182.84 | 1310.92 |
| v) Perfect Cotton Co | 147.95 | 1494.71 |
| vi) Purav Trading Ltd. | 589.60 | 1205.60 |
| b) Cotton Yarn | | |
| i) GTN Textiles Ltd. | 289.50 | 352.69 |
| ii) GTN Enterprises Ltd. | 283.87 | 190.49 |
| c) Store Items | | |
| i) GTN Textiles Ltd. | 5.91 | Nil |
| ii) GTN Enterprises Ltd. | 3.31 | Nil |
| d) Focus Market License | | |
| i) GTN Textiles Ltd. | Nil | 7.26 |
| ii) GTN Enterprises Ltd. | Nil | 2.99 |
| (iii) Purchase of Machinery | | |
| GTN Enterprises Ltd. | 30.08 | 3.22 |
| (iv) Sale of Machinery | | |
| GTN Enterprises Ltd. | Nil | 9.10 |
| (v) Rendering of services | | |
| a) Rent | | |
| i) GTN Textiles Ltd. | 2.64 | 2.15 |
| ii) GTN Enterprises Ltd. | 1.08 | 1.08 |
| b) Processing Charges | | |
| i) GTN Textiles Ltd. | 40.72 | 80.36 |
| ii) GTN Enterprises Ltd. | 50.06 | 73.09 |
| (vi) Receiving of services | | |
| a) Rent | | |
| i) GTN Textiles Ltd. | 1.32 | 1.32 |
| b) Processing Charges | | |
| i) GTN Textiles Ltd. | 47.82 | 32.64 |
| ii) GTN Enterprises Ltd. | 290.06 | 279.84 |
| (vii) Remuneration paid | | |
| Sri. Umang Patodia (Managing Director) | 59.56 | 59.64 |
| (viii) Sitting Fees | | |
| SRI. B.K. Patodia | 0.30 | 0.30 |
| (ix) Fixed Deposit | | |
| 1) Ankur Patodia (HUF) | 13.50 | 12.00 |
| 2) Sri. Ankur Patodia | 39.00 | Nil |
| 3) Sri. Binod Kumar Patodia | 30.00 | 154.00 |
| 4) Binod Kumar Patodia (HUF) | 15.50 | 6.00 |

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

| | Transactions | |
|---|-----------------------|-----------------------|
| | 2011-12 Rs in lacs | 2010-11 Rs in lacs |
| 5) Smt.Prabha Patodia | 20.00 | 65.00 |
| 6) Smt. Swati Patodia | 16.00 | 3.00 |
| 7) Umang Patodia (HUF) | 14.00 | 13.00 |
| 8) Patodia Exports & Investments (P) Ltd. | Nil | 13.00 |
| 9) Beekaypee Credit Private Limited | Nil | 5.00 |
| 10) Umang Finance Private Limited | Nil | 8.50 |
| (x) Interest On Fixed Deposit | | |
| 1) Ankur Patodia (HUF) | 1.76 | 0.04 |
| 2) Sri. Ankur Patodia | 0.83 | Nil |
| 3) Sri. Binod Kumar Patodia | 4.80 | 2.09 |
| 4) Binod Kumar Patodia (HUF) | 1.08 | 0.03 |
| 5) Smt.Prabha Patodia | 3.43 | 0.75 |
| 6) Smt. Swati Patodia | 0.78 | 0.02 |
| 7) Umang Patodia (HUF) | 1.65 | 0.04 |
| 8) Patodia Exports & Investments (P) Ltd. | 1.03 | 0.09 |
| 9) Beekaypee Credit Private Limited | 0.40 | 0.04 |
| 10) Umang Finance Private Limited | 0.67 | 0.07 |
| (xi) Guarantees Received | | |
| i) GTN Textiles Ltd. | 300.00 | Nil |
| ii) GTN Enterprises Ltd. | 1700.00 | Nil |
| (xii) Guarantees Provided for | | |
| i) GTN Textiles Ltd. | 175.00 | Nil |
| ii) GTN Enterprises Ltd. | 2113.00 | 1724.00 |

28 Finance Lease: Disclosure as required in AS-19 Leases

| Due | Total minimum payments outstanding (Rs. In Lacs) | Future interest on outstanding (Rs. In Lacs) | Present Value of minimum payments (Rs. In Lacs) |
|-----------------------------------|--|--|---|
| 1. Due Within one year | 7.88 | 2.44 | 5.45 |
| | (7.88) | (2.43) | (5.45) |
| 2. Between one year to five years | 19.44 | 1.58 | 17.84 |
| | (27.32) | (4.03) | (23.29) |
| Total | 27.32 | 4.02 | 23.29 |
| | (35.20) | (6.46) | (28.74) |

* Figures in brackets represent previous year's figures.

29 CONTINGENT LIABILITY AND COMMITMENTS:

A COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Nil (Previous year Rs.Nil).

B CONTINGENT LIABILITIES

1. Disputed amounts of Taxes and duties and other claims not acknowledged as debts :

- Excise duty : Rs. 132.37 lacs (Previous year Rs. 132.37 lacs)
- Sales Tax (VAT) : Rs 61.07 lacs (Previous year Rs.1.11 lacs)
- Market Committee Cess: Rs. 17.68 lacs (Previous year Rs.13.39 lacs)
- Disputed Income Tax demands Rs 364.92 lacs (Previous year Nil), matter having been decided by the Hon'ble High Court of Kerala against the Company. The Company has gone for appeal before the Supreme Court of India and is hopeful of outcome in its favour.Payment there against Rs 348.58 lacs is included in the loans and advances (Previous Year Rs 401.89 lacs)

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

2. Corporate Guarantee :

- 2.1 The company has given Corporate Guarantee amounting to Rs.2113 lacs (Previous year Rs.1724 lacs) to a Financial Institution in respect of financial assistance provided by them to GTN Enterprises Ltd and the outstanding amount thereof is Rs.1799 lacs as on 31st March 2012 (Previous Year – Rs. 1426 lacs).
- 2.2 The company has given Corporate Guarantee amounting to Rs.175 lacs (Previous year Rs.Nil) to a Financial Institution in respect of financial assistance provided by them to GTN Textiles Ltd and the outstanding amount thereof is Rs.275 lacs as on 31st March 2012 (Previous Year – Rs. Nil lacs).

3. Forward Cover :

- 3.1 Outstanding Forward Contracts (not in the nature of derivatives) as on 31 st March '12 which were entered into for hedging exchange risk arising from foreign currency fluctuations related to highly probable future transactions amount to US\$ 63.45 lacs (Previous Year US\$ 84.77 lacs) at average Exchange Rate of Rs 50.43 /US\$ (Previous year Rs 47.32/US\$). The period covered under these contracts spreads over April 2012 to March 2013 (Previous Year April 2011 to May 2012). The average Exchange Rate applicable for the above period based on exchange rate on 31.03.2012 works out to Rs 51.21 /US\$ (Previous year Rs 44.70/US\$), resulting in notional loss of Rs 49.53 lacs (Previous year notional gain of Rs 222.09 lacs)

4. Particulars of unhedged Foreign Currency exposures as at 31 st March 2012 are as given below:

| Particulars | Currency | As at 31.03.2012 | | | As at 31.03.2011 | | |
|------------------|----------|------------------|------------------|---------------------|------------------|------------------|---------------------|
| | | Amount in lacs | Exchange Rate Rs | Amount (Rs in lacs) | Amount in lacs | Exchange Rate Rs | Amount (Rs in lacs) |
| Accounts Payable | USD | 108.26 | 51.22 | 5545.03 | 56.17 | 44.71 | 2511.36 |
| | EUR | 6.62 | 68.38 | 452.51 | 14.39 | 63.19 | 901.10 |
| | CHF | 1.10 | 56.72 | 62.28 | 0.60 | 48.72 | 29.22 |
| | | | | | | | |

- 30 In the opinion of the Board, all assets other than fixed assets and non current investments have a realisable value in the ordinary course of business which is not less than the amount at which it is stated.

- 31 In term of Accounting Standard -17, the company operates materially only in one business segment viz., Textile industry and have its production facilities and all other assets located within India. Sales to external customers comprise outside India sales of Rs.21931.90 Lacs (Previous year Rs.22155.67 lacs) and within India sale of Rs.19527.74 lacs (Previous year Rs.20497.04 Lacs).

32 DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES ACT, 2006.

| Particulars | 2011-12 (Rs. In lacs) | 2010-11 (Rs. In lacs) |
|---|--------------------------|--------------------------|
| The principal amount and interest due thereon remaining unpaid as on the Balance sheet date | Rs .Nil | Rs .Nil |
| Interest paid along with the amount of the payment during the year | Rs .Nil | Rs .Nil |
| Interest due and payable but without adding the interest specified in the above mentioned Act. | Rs .Nil | Rs .Nil |
| Interest accrued and remaining unpaid at the end of the year. | Rs .Nil | Rs .Nil |
| Amount of interest remaining due and payable in subsequent years, and such interest actually paid to and deductible expenditure under section 23 of the said Act. | Rs .Nil | Rs .Nil |

33 VALUE OF IMPORTS ON CIF BASIS

| Particulars | 2011-12 (Rs. In lacs) | 2010-11 (Rs. In lacs) |
|--------------------------|--------------------------|--------------------------|
| a Raw Materials - Cotton | 4758.58 | 4269.29 |
| b Stores | 113.02 | 78.82 |
| c Capital Goods | 964.97 | 71.18 |
| Total | 5836.57 | 4419.29 |

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

34 EXPENDITURE IN FOREIGN CURRENCY

| Particulars | 2011-12 (Rs. In lacs) | 2010-11 (Rs. In lacs) |
|-------------------|--------------------------|--------------------------|
| Agents Commission | 359.66 | 132.68 |
| Others | 64.81 | 15.48 |
| Total | 424.47 | 148.16 |

35 IMPORTED AND INDIGENOUS RAW MATERIALS ,COMPONENTS AND SPARE PARTS CONSUMED

| Particulars | Percentage | 2011-12 (Rs in lacs) | Percentage | 2010-11 (Rs in lacs) |
|---|----------------|-------------------------|----------------|-------------------------|
| a Raw Materials | | | | |
| Cotton Imported | 16.82% | 5693.70 | 19.67% | 5755.69 |
| Cotton Indigenous | 51.01% | 17270.02 | 37.48% | 10969.17 |
| Yarn Indigenous | 24.36% | 8248.28 | 30.91% | 9045.84 |
| | 92.18% | 31212.00 | 88.05% | 25770.70 |
| b Traded Goods (Yarn-Indigenous) | 6.18% | 2091.85 | 10.12% | 2962.68 |
| c Packing Materials (Indigenous) | 1.22% | 414.18 | 1.25% | 367.01 |
| d Stores and Spares | | | | |
| Imported | 0.01% | 3.53 | 0.08% | 24.76 |
| Indigenous * | 0.41% | 137.20 | 0.48% | 141.57 |
| | 0.42% | 140.73 | 0.57% | 166.33 |
| Total | 100.00% | 33858.76 | 100.00% | 29266.72 |

*Includes HSD Value Rs 63.99 (Previous Year Rs 59.33 lacs) Charged to Power & Fuel

36 EARNINGS IN FOREIGN CURRENCY

| Particulars | 2011-12 (Rs. In lacs) | 2010-11 (Rs. In lacs) |
|----------------------|--------------------------|--------------------------|
| FOB Value of Exports | 21626.21 | 21342.41 |

37 PREVIOUS YEAR'S FIGURES

During the year ended 31st March 2012 the Revised Schedule VI notified under the Companies Act ,1956, has become applicable to the Company.The Company has reclassified/regrouped previous year's figures to conform to this year's classification.

Signature to Note 1 to 37

As per our report of even date attached
For **M. S. JAGANNATHAN & VISVANATHAN**
Chartered Accountants (FRN 001209S)

R. MUGUNTHAN
Partner
(M. No.21397)

Place: Kochi
Date: 23rd May 2012

For and on behalf of the board

B. K. PATODIA
Chairman

N. K. BAFNA
Director

UMANG PATODIA
Managing Director

ABHILASH N. A.
Company Secretary



PATSPIN INDIA LIMITED
Registered Office: 3rd Floor, Palal Towers, M.G. Road, Ravipuram, Kochi 682 016

Proxy

TWENTY FIRST ANNUAL GENERAL MEETING

Folio No./Client ID No. :
No. of Shares :

I / We of in the District of being Member(s) of the above named Company, hereby appoint of or failing him of or failing him of in the District of as my / our proxy to attend and vote for me / us on my / our behalf at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company to be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi 682 016 on Monday, the 13th day of August, 2012 at 9.30 a.m or at any adjournment thereof.

Signed this day of, 2012.

Please affix
Re.1/-
Revenue
Stamp

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

Attendance Slip



PATSPIN INDIA LIMITED
Registered Office: 3rd Floor, Palal Towers, M.G. Road, Ravipuram, Kochi 682 016

TWENTY FIRST ANNUAL GENERAL MEETING

Folio No./Client ID No. :
No. of Shares :
Full Name of the Member attending :
(In BLOCK letters)
Full Name of the first joint-holder :
(To be filled in if first named joint-holder does not attend the meeting)
Full Name of Proxy :
(To be filled in by the Proxy attending instead of the Member)

I, hereby record my presence at the **TWENTY FIRST ANNUAL GENERAL MEETING** of the Company to be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi 682 016 on Monday, the 13th day of August, 2012 at 9.30 a.m.

.....
Member's / Proxy's Signature

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



Registered Office: 3rd Floor, Palal Towers, Ravipuram, M G Road,
Ernakulam, Kochi 682 016

Corporate Office: 43, Mittal Chambers, 4th Floor, 228, Nariman Point,
Mumbai 400 021

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