

7TH ANNUAL REPORT 2011 / 2012



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GTN TEXTILES LIMITED

NOTICE

NOTICE is hereby given that the **Seventh** Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva – 683 101 at 12.15 p.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. R Rajagopalan 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 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) to secure on pari passu first charge basis for the term loan of Rs 3.50 crores lent and advanced by Export Import Bank of India (Exim Bank) to the Company

“FURTHER RESOLVED 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 **GTN Textiles Limited**

E.K. BALAKRISHNAN
General Manager &
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, the 4th August, 2012 to Monday, the 13th August, 2012 (both days inclusive).
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.

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, 2006 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
31.3.2006	28.7.2006	27.7.2013	26.8.2013
31.3.2007	26.7.2007	25.7.2014	24.8.2014
31.3.2008	25.7.2008	24.7.2015	23.8.2015

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

NOTICE (Contd.)

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 Corporates, 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 atleast 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 address are to be addressed to the Company's Share Transfer Agent, M/s.Integrated Enterprises (India) Ltd.,2nd Floor, Kences Towers, No.1 Ramakrishna Street, T Nagar, Chennai-600017, Tel: 044 28140801-803; E-Mail: Corpserv@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.

NOTICE (Contd.)

**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 R. Rajagopalan
Date of Birth	15.04.1947	21.07.1938
Date of appointment	08.04.2005	27.01.2005
Qualification	B.Com, FCA	FCA, FCS
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 R Rajagopalan, aged 74 years, retired as Managing Director – Commercial & Company Secretary with M/s. Vidia (India) Ltd. Besides his proficiency in Finance, Accounts and Secretarial Functions, he was part of management team for finalization of many collaboration tie-ups with Vidia GmbH and also with other reputed European and American Companies. He was also associated with various organizations and was the National President of the Institute of Company Secretaries of India (ICSI) President of Employers' Federation of Southern India (EFSI), Chairman of Taxation and Finance Sub-Committee of Confederation of Indian Industry (CII), Member of Southern Regional Council of CII, Member of Engineering Export Promotion Council (EEPC), Greater Mysore Chamber of Industry (GMCI), etc.
Shareholding in the Company	12,130 Equity Shares of Rs 10/- each per share.	None

Details of other Directorship:-

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri. B.L Singhal	Patspin India Ltd	Director	Audit Shareholders Remuneration	Member Chairman Chairman
	GTN Industries Ltd	Director	Audit Shareholders	Chairman Member
	Prime Urban Development India Ltd	Director	Audit Shareholders	Chairman Member
	GTN Enterprises Ltd	Director	Remuneration	Member
	ATL Textile Processors Limited	Director	None	None
	Priti Credit Pvt. Limited	Director	None	None
	BLS Securities Pvt. Ltd	Director	None	None
	M B Credit Pvt Ltd	Director	None	None
Shri R. Rajagopalan	Patspin India Ltd	Director	Audit Remuneration	Member Member
	MRO –TEK Limited	Director	Audit Shareholders	Chairman Member
	SAKSOFT Limited	Director	Audit Shareholders	Chairman Chairman

By Order of the Board
For **GTN TEXTILES LIMITED**

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 29th June, 2012

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

ITEM No.5:

The Company has been availed Term Loan of Rs. 3.50 crores from Export Import Bank of India (Exim Bank) to part finance modernization and upgradation plans under the Restructured TUF Scheme at a Project Cost of Rs. 4.25 crores. As per the terms of sanction, the said financial assistance is to be secured by way of pari passu First 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 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 Financial Institution for the loans granted by them to the company.

Copy of the Sanction Letter from the Financial Institution is 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 **GTN TEXTILES LIMITED**

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 29th June, 2012

GTN TEXTILES LIMITED

DIRECTORS' REPORT

To the Members,

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

FINANCIAL RESULTS

(Rs. in lacs)

Particulars	Year ended	
	31.3.2012	31.3.2011
REVENUE		
Revenue from operations	14012	14943
Other income	39	181
Changes in Inventories	1014	(48)
Total	15065	15076
EXPENSES		
a) Cost of materials	9409	8726
b) Employee benefits expense	2054	1771
c) Other expenses	2668	2654
Total	14131	13151
OPERATING PROFIT	934	1925
Finance Costs	951	805
PROFIT/(LOSS) BEFORE DEPRECIATION, AMORTISATION & TAX EXPENSES	(17)	1120
Depreciation and Amortisation Expenses	632	649
PROFIT/(LOSS) BEFORE TAX	(649)	471
Tax Expenses		
a) Current Tax (MAT)	—	—
b) Deferred Tax	(206)	90
PROFIT/(LOSS) AFTER TAX	(443)	381

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 Rs.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 Rs. 150.65 crores for the year as compared to Rs. 150.77 crores for the previous year, there was a cash loss of Rs.0.17 crores as against cash profit of Rs.11.20 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 due to thermal surcharge levied by KSEB, besides increase in manpower cost subsequent to settlement of long-term wage agreement. After charging depreciation, at net level the company incurred a loss of Rs. 6.49 crores as compared to a profit before tax of Rs. 4.71 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 AND EXPANSION PLANS

During the year under review, your Board has implemented a modernization and expansion project at a cost of Rs. 4.25 crores at its facilities located at Aluva, Kerala under the Restructured Technology Upgradation Fund Scheme (TUFS), Ministry of Textiles, Government of India.

With this, the compact spindle capacity has been enhanced from 26496 to 34896, within the total installed capacity of 58,864 spindles.

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

DIRECTORS' REPORT (Contd.)

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 R. Rajagopalan, Directors, retire from Office by rotation and are eligible for re-appointment.

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, Bank of India, Axis Bank Limited and Export-Import Bank of India 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**

	Year ended 31.03.2012	Year ended 31.03.2011
I. Power and fuel consumption		
1 Electricity		
a) Purchased (Units in lacs)	354.74	325.09
Total amount (Rs. in lacs)	1252.04	1164.98
Rate per unit (Rs.)	3.53	3.58
b) Own generation		
i) through Diesel Generator (units in lacs)	0.21	0.49
Total amount (Rs. in lacs)	2.52	6.64
Units per liter of diesel oil	3.27	3.40
Cost per unit (Rs.)	12.00	13.55
ii) through steam turbine / generator		
Units	Nil	Nil
Unit per liter of fuel oil / gas	Nil	Nil
Cost per unit (Rs.)	Nil	Nil

	Year ended 31.03.2012	Year ended 31.03.2011
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	12.70	11.62
b) Furnace Oil	Nil	Nil
c) Coal	Nil	Nil
d) Others	Nil	Nil

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: Rs 6405.52 lacs (Previous year Rs. 8491.28 lacs) (including shipping freight realisation and agents commission) Used: Rs. 5239.33 lacs (Previous year Rs. 3791.37 lacs)

For and on behalf of the Board

Place : Kochi,
Date : 23rd May, 2012

B.K PATODIA
Chairman

GTN TEXTILES 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 an Executive Chairman, Shri. B K Patodia and comprises eminent persons with considerable professional experience in diverse fields. Over 83% of the Board consists of Non-Executive Directors.

As on 31st March, 2012, the Board comprises of 4 Independent Directors constituting 67% of the total Board strength.

Composition and category of Directors is as follows:

Category	Name of Directors
Promoter/Executive Director	Shri.B K Patodia
Non-Executive/Non-Independent Director	Shri C.D Thakker
Independent Directors	Shri.N K Bafna
	Shri.B L Singhal
	Shri.R Rajagopalan
	Shri.Prem Malik

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	None
Shri.N K Bafna	4	Yes	3	5	3	
Shri.B L Singhal	4	Yes	9	6	3	
Shri.R Rajagopalan	4	yes	3	5	3	
Shri.Prem Malik	2	No	9	2	None	
Shri.C D Thakker	None	No	None	None	None	

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.

The details of the Board Meetings are as under:-

Sl. No.	Date	Board Strength	No. of Directors present
1)	10th May, 2011	6	5
2)	28th July, 2011	6	5
3)	1st November, 2011	6	4
4)	11th February, 2012	6	4

REPORT ON CORPORATE GOVERNANCE (Contd.)

3) Audit Committee

Audit Committee comprises of four Independent Directors namely; Shri.B L Singhal, Chairman; Shri N K Bafna, Shri.R Rajagopalan; and Shri.Prem Malik. 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.E K Balakrishnan, General Manager & 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.B L Singhal	Chairman & Independent Director	4
2)	Shri.N.K Bafna	Independent Director	4
3)	Shri.R Rajagopalan	Independent Director	4
4)	Shri.Prem Malik	Independent Director	2

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	3
4)	11th February, 2012	4	3

Shri B.L Singhal, 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 Internal Audit of the Company. Internal Audit Plan and their 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. The Board has designated Shri.E K Balakrishnan, General Manager & Company Secretary as 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

4) Remuneration Committee

The Remuneration Committee of the Board of Directors comprises of 4 Independent Non-Executive Directors namely; Shri.B L Singhal, Chairman; Shri N K Bafna, Shri.R Rajagopalan, and Shri.Prem Malik.

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.

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.B K Patodia : Rs.40.99 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 Rs.)
Board	7,500
Committee	5,000

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

Name of the Non-Executive Director	Sitting fee (Rs.)
Shri N.K Bafna	70,000
Shri.B L Singhal	70,000
Shri.R Rajagopalan	70,000
Shri.Prem Malik	25,000
Total	2,35,000

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.R Rajagopalan, Chairman; Shri.N K Bafna, Shri.B L Singhal and Shri Prem Malik.

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 investors' services.

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

Sl. 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

Shri.E K Balakrishnan, General Manager & Company Secretary is 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	1
Non-receipt of Dividend Warrants	8
Non-receipt of Share Certificates	10
Complaints in respect of Electronic Transfers	Nil
Complaints / queries received from Regulatory Agencies	Nil
Total:	19

There were no outstanding complaints as on 31st March, 2012. One request each for dematerialization was pending in the NSDL and CDSL system for approval as on 31st March, 2012, which were approved / confirmed on 20th April, 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@gtntextiles.com
Clause 54	Functional Website	www.gtntextiles.com

6) General Body Meetings:

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

Year	Location	Date	Day	Time	Special Resolution
2008-09	'Oceanic Hall' Hotel Periyar, Aluva – 683 101	31.07.2009	Friday	12.15 p.m	Consent for Delisting of Company's Equity Shares from the Cochin Stock Exchange Limited(CSEL)
2009-10	-do-	31.07.2010	Saturday	1.00 p.m	Consent for appointment and fixing of remuneration of Managing Director
2010-11	-do-	29.07.2011	Friday	12.15 p.m	Nil

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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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. The Code of Conduct is available on www.gtn textiles.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	15.05.2008
Shri.B.L.Singhal	08.04.2005
Shri.R.Rajagopalan	28.10.2005
Shri. Prem Malik	17.12.2005

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.gtn textiles.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] along with the official news release.

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.gtn textiles.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	:	'Oceanic Hall', Hotel Periyar, Aluva Pin: 683 101.
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 AGM .

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	:	532744
	Trading symbol National Stock Exchange	:	GTNTEX
ii)	Demat ISIN Nos. in NSDL and CDSL for Equity Shares	:	INE302H01017

III) Stock market data :

(in Rs. per Share)

Month	BSE		NSE	
	High	Low	High	Low
April 2011	18.70	15.55	20.80	15.30
May 2011	18.75	14.75	19.00	14.90
June 2011	18.20	13.70	18.20	11.80
July 2011	15.69	12.78	17.85	12.45
August 2011	12.92	9.01	13.40	9.80
September 2011	14.00	11.10	13.45	10.00
October 2011	14.20	11.50	14.35	11.00
November 2011	13.90	9.84	13.50	10.00
December 2011	11.49	8.14	11.40	7.85
January 2012	10.78	9.38	11.25	9.10
February 2012	12.82	9.95	12.70	9.80
March 2012	10.72	8.21	11.05	8.30

REPORT ON CORPORATE GOVERNANCE (Contd.)

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 1 Ramakrishna Street, T Nagar, Chennai 600 017 Tel: 044 28140801-803 E-Mail : corpseiv@integratedindia.in
V)	Share Transfer System	:	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 on each half year from a Company Secretary in Practice in respect of 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. As regards shares held in Electronic form, the credit being given as per guidelines / by-laws issued by SEBI / NSDL / CDSL.

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 & Associates (Patodia Family)	7237202	62.17
02	Indian Financial Institutions, Banks, Mutual Funds	89905	0.77
03	Foreign Institutional Investors/NRIs	10839	0.10
04	Others	4302532	36.96
	Total:-	11640478	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	21896	86.50	694121	5.96
101-500	2285	9.03	646876	5.56
501-1000	574	2.27	483888	4.16
1001-10000	495	1.96	1383576	11.89
10001-100000	48	0.19	981826	8.43
Above 100000	14	0.05	7450191	64.00
Total	25312	100.00	11640478	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 18th May, 2006. 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, 95.38% shares of the company were held in Dematerialized form.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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).

VIII)	Plant Location:-	Door No.VIII/911, Erumathala Post, Aluva, Ernakulam District, Kerala – 683 112
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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 1 Ramakrishna Street, T Nagar, Chennai 600 017 Tel: 044 28140801-803 E-Mail : corpserve@integratedindia.in
		b) For share held on Demat form:- To the Depository Participants.
ii)	Any query on Annual Report	Secretarial Department GTN TEXTILES LIMITED 5th Floor, Palal Towers, M G Road, Ravipuram, Ernakulam, Kochi – 682 016 E-Mail: cs@gtntextiles.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 **GTN TEXTILES LIMITED**

Place : Kochi
Date : 23rd May, 2012

B K PATODIA
Chairman & 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 GTN TEXTILES LIMITED

We have examined the compliance of conditions of corporate governance by GTN TEXTILES 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

GTN TEXTILES 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 Rs.35000 per candy (356 kg) to Rs.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 Rs.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) 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.
- 8) Confederation of Indian 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 Rs. 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

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- (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.
- (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 hope 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 902 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 GTN TEXTILES LIMITED

1. We have audited the attached Balance Sheet of GTN TEXTILES 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 GTN TEXTILES 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 ten parties amounting to Rs.91.80 lakhs and maximum amount outstanding at anytime during the year was Rs.90.80 lakhs and year end balance was Rs.5.80 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.
- (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 are no dues of which have not been deposited on account of dispute.
- (x) The Company does not have accumulated losses as at 31st March, 2012. The Company has incurred cash loss of Rs.17 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 Rs.300 lakhs for loan borrowed by Patspin India Limited from a Financial Institution and the terms and conditions whereof are 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 Rs.468 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

GTN TEXTILES LIMITED

BALANCE SHEET

Particulars	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	1,164.05	1,164.05
(b) Reserves and surplus	3	2,050.03	2,492.61
Sub-Total		3,214.08	3,656.66
2 Non-current liabilities			
(a) Long-term borrowings	4	3,691.75	4,756.41
(b) Deferred tax liabilities (Net)	5	363.58	569.12
Sub-Total		4,055.33	5,325.53
3 Current liabilities			
(a) Short-term borrowings	6	2,537.58	3,496.31
(b) Trade payables	7	3,232.71	1,779.34
(c) Other current liabilities	8	2,180.64	1,958.62
(d) Short-term provisions	9	110.00	88.37
Sub-Total		8,060.93	7,322.64
TOTAL		15,330.34	16,304.83
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	10		
(i) Tangible assets		6619.24	6927.77
(ii) Intangible assets		25.46	15.23
(b) Non-current investments	11	1984.92	1984.83
(c) Long-term loans and advances	12	97.24	79.12
Sub-Total		8726.86	9006.95
2 Current assets			
(a) Inventories	13	4077.21	3841.38
(b) Trade receivables	14	1389.84	1117.45
(c) Cash and Bank Balances	15	494.77	1068.02
(d) Short-term loans and advances	16	621.18	1263.69
(e) Other current assets	17	20.48	7.34
Sub-Total		6603.48	7297.88
TOTAL		15330.34	16304.83
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 & Managing
Director

N. K. BAFNA
Director

R. MUGUNTHAN

Partner

(M. No. 21397)

Place: Kochi

Date: 23rd May, 2012

E. K. BALAKRISHNAN

General Manager & Company Secretary

GTN TEXTILES LIMITED

STATEMENT OF PROFIT AND LOSS

Particulars	Note	Year ended March 31, 2012 (Rs.In Lacs)	Year ended March 31, 2011 (Rs.In Lacs)
REVENUE:			
Revenue From Operations	18	14,012.11	14,943.22
Other income	19	38.57	180.92
Total Revenue		<u>14,050.68</u>	<u>15,124.14</u>
EXPENSES:			
Cost of materials consumed	20	9,126.79	8,199.38
Purchases of Stock-in-Trade		281.54	527.29
Changes in inventories of finished goods in process and Stock-in-Trade	21	(1,013.51)	47.60
Employee benefits expense	22	2,054.43	1,770.62
Finance costs	23	951.11	805.16
Depreciation and amortization expense		631.77	648.66
Other expenses	24	2,667.13	2,654.47
Total Expenses		<u>14,699.26</u>	<u>14,653.18</u>
Profit/ (Loss) before exceptional and extraordinary items and tax		<u>(648.58)</u>	470.96
Exceptional items		—	—
Profit/ (Loss) before extraordinary items and tax		<u>(648.58)</u>	470.96
Extraordinary Items		—	—
Profit/ (Loss) before tax		<u>(648.58)</u>	<u>470.96</u>
Tax expense:			
(1) Current tax		—	—
(2) Deferred tax liability / (Reversal)		(206.00)	90.00
Profit/ (Loss) for the year		<u>(442.58)</u>	<u>380.96</u>
EARNINGS PER EQUITY SHARE:			
Basic and Diluted (in Rs.) (Face value of Rs.10 each)		(3.80)	3.27
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 & Managing
Director

N. K. BAFNA
Director

R. MUGUNTHAN

Partner

(M. No. 21397)

Place: Kochi

Date: 23rd May, 2012

E. K. BALAKRISHNAN

General Manager & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

Particulars	Year ended March 31, 2012 (Rs. In Lacs)	Year ended March 31, 2011 (Rs. In Lacs)
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before tax and extra ordinary items	(648.58)	470.96
Adjustments for:		
Depreciation	625.40	642.29
Amortisation	6.37	6.37
Loss on sale of tangible assets (net)	0.79	118.00
Unrealised foreign currency (Gain) / Loss	40.77	(33.07)
Interest income	(37.37)	(23.72)
Interest Expenditure	839.09	770.89
Operating profit before working capital changes	826.47	1,951.72
Changes in Working Capital:		
Increase / (Decrease) in trade payables	1,470.39	(592.33)
Increase / (Decrease) in provisions	21.63	13.93
Increase / (Decrease) in other current liabilities	319.29	113.82
(Increase) / Decrease in trade receivables	(271.83)	(71.56)
(Increase) / Decrease in inventories	(235.83)	(514.40)
(Increase) / Decrease in margin money and unpaid dividend	(44.68)	171.02
(Increase) / Decrease in short term loans and advances	642.51	(84.75)
(Increase) / Decrease in other current assets	(13.15)	(7.06)
Cash Generated from Operations	2,714.80	980.39
Taxes paid (net of refunds)	(6.72)	(4.62)
Net cash generated from operations before extraordinary items	2,708.08	975.77
Extraordinary items	—	—
Net cash generated from operating activities	2,708.08	975.77
B. Cash flow from Investing Activities:		
Purchase of tangible/intangible assets	(344.14)	(45.97)
Sale of tangible/intangible assets	0.29	39.18
Interest received	37.37	23.72
Purchase of non-current investments	(0.09)	—
Net cash from investing activities	(306.57)	16.93
C. Cash flow from Financing Activities		
Interest paid	(839.09)	(756.70)
Proceeds from Long Term borrowings	225.00	3.49
Repayment of Long Term borrowings	(1,399.09)	(985.68)
Increase / (Decrease) in Short Term Borrowings	(1,002.51)	1,389.91
Repayment of Finance Lease Obligations (Net)	(1.96)	3.49
Long term Deposits	(1.80)	(3.50)
Net cash used in Financing Activities	(3,019.45)	(348.99)
Net increase in cash and Cash equivalents	(617.94)	643.71
Cash and Cash equivalents at the beginning of the year	804.89	161.18
Cash and cash equivalents at the end of the year	186.95	804.89

- 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 & Managing
Director

N. K. BAFNA
Director

R. MUGUNTHAN

Partner

(M. No. 21397)

Place: Kochi

Date: 23rd May, 2012

E. K. BALAKRISHNAN

General Manager & Company Secretary

GTN TEXTILES LIMITED

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

1 SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The financial statements are prepared to comply with the mandatory Accounting Standards prescribed in the Companies (Accounting Standards) Rules 2006, (as amended) 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 (twelve) 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 h 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 sales and 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. All other Borrowing costs are charged to Statement of Profit and Loss.

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

h. Depreciation

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

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

Depreciation on Plant and Equipments is provided on Straight Line Method. In respect of other assets depreciation is provided on Written Down Value Method.

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 (twelve) 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.

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 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 at 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 are 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

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

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.

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

2 SHARE CAPITAL

	As at 31.03.2012 (Rs in lacs)	As at 31.03.2011 (Rs in lacs)
(a) AUTHORISED:		
1,20,00,000 (Previous year:1,20,00,000) Equity shares of Rs. 10 each	<u>1,200.00</u>	<u>1,200.00</u>
(b) ISSUED,SUBSCRIBED AND PAID UP :		
1,16,40,478 (Previous year : 1,16,40,478) Equity shares of Rs.10 each fully paid up (Out of the above,1,15,40,378 Equity shares of Rs.10 each, issued for consideration other than cash, in pursuance of the Scheme of Arrangement)	1164.05	1164.05
Total	<u>1164.05</u>	<u>1164.05</u>

(c) RECONCILIATION OF NUMBER OF SHARES

	As at March 31, 2012		As at March 31, 2011	
Equity Shares:	Number of Shares	Amount Rs.Lacs	Number of Shares	Amount Rs.Lacs
Balance as at the beginning of the year	11640478	1164.05	11640478	1164.05
Add: Shares issued during the year	NIL	NIL	NIL	NIL
Balance as at the end of the year	11640478	1164.05	11640478	1164.05

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

d) DETAILS OF SHARES HELD BY SHAREHOLDERS HOLDING MORE THAN 5% OF THE AGGREGATE SHARES IN THE COMPANY

	As at March 31,2012		As at March 31,2011	
	No of Shares	% of holding	No of Shares	% of holding
I Mr. Binod Kumar Patodia	11 95 580	10.27%	11 95 580	10.27%
II Mr. Umang Patodia	8 35 120	7.17%	8 35 120	7.17%
III Mr. Ankur Patodia	7 32 331	6.29%	7 32 331	6.29%
IV Mrs. Prabha Patodia	6 82 418	5.86%	6 82 418	5.86%
V Binod Kumar Patodia HUF	11 58 880	9.96%	11 58 880	9.96%
VI Beekaypee Credit Private Limited	8 22 311	7.06%	7 53 742	6.47%
VII Patodia Exports & Investments Private Limited	6 59 750	5.67%	6 41 720	5.51%
VIII Umang Finance Private Limited	7 33 052	6.30%	7 29 052	6.26%

3 RESERVES AND SURPLUS

	As at 31.03.2012 (Rs in lacs)	As at 31.03.2011 (Rs in lacs)
(A) GENERAL RESERVE		
Balance as at the beginning and the end of the year	<u>2,111.65</u>	<u>2,111.65</u>
(B) SURPLUS/(DEFICIT) IN STATEMENT OF PROFIT AND LOSS		
Balance as at the beginning of the year	380.96	—
Profit/(Loss) for the year	<u>(442.58)</u>	<u>380.96</u>
Balance at the end of the year	<u>(61.62)</u>	<u>380.96</u>
TOTAL (A) + (B)	<u><u>2,050.03</u></u>	<u><u>2,492.61</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				
Term Loans				
From Banks	3,312.12	1,163.26	4,250.39	1,029.81
From Financial Institutions.	342.19	158.00	500.19	388.51
Finance Lease Obligations				
From Banks	3.63	2.19	5.83	1.95
Total (A)	<u>3,657.94</u>	<u>1,323.45</u>	<u>4,756.41</u>	<u>1,420.27</u>
UNSECURED:				
Fixed Deposits				
From Public	33.81	24.31	—	38.88
Total (B)	<u>33.81</u>	<u>24.31</u>	<u>—</u>	<u>38.88</u>
Total (A) + (B)	<u><u>3,691.75</u></u>	<u><u>1,347.76</u></u>	<u><u>4,756.41</u></u>	<u><u>1,459.15</u></u>

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

I Term Loan are secured by :

- (i) Term loans borrowed from Banks and Financial Institutions and total outstanding of Rs. 4975.57 lacs (Previous year - Rs. 6168.90 lacs) are secured by a first charge by way of equitable mortgage on all immovable assets both present and future and hypothecation of all the movable assets of the Company (excluding assets purchased on hire purchase basis), subject to prior charges in favour of Banks for working capital, ranking pari passu interse.
- (ii) In the above mentioned Term Loans from certain Banks are further secured by personal guarantee given by Chairman & Managing Director of the Company to an extent of Rs. 1318.19 lacs (Previous year Rs. 2054.20 lacs).
- (iii) Loan from Export Import Bank outstanding of Rs. 225 Lacs (Previous year Nil) is further secured by Corporate guarantee given by Patspin India Limited to an extent of Rs. 175 lakhs (Previous year Rs. Nil).
- (iv) Finance Lease Obligations are relating to vehicles and are secured against respective vehicles hypothecated costing Rs. 17.05 lacs (Previous year Rs. 17.05 lacs).

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

		Maturity Pattern (Rs Lacs)		
		Within One Year	Between 2-5 Years	Beyond 5 Years
a	Term Loans	1321	3330	324
b	Finance Lease obligations	2	4	0

5 DEFERRED TAX LIABILITIES (NET)

	As at 31.03.2012 (Rs in lacs)	As at 31.03.2011 (Rs in lacs)
(A) Deferred Tax Liabilities:		
Depreciation	1,233.20	1,310.24
(B) Deferred Tax Assets:		
Unabsorbed Depreciation	869.62	741.12
Net (A) - (B)	363.58	569.12

6 SHORT TERM BORROWINGS

(a) SECURED LOANS

Loan Repayable on demand

From Banks- Working Capital facilities	2,513.27	3,457.43
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(b) UNSECURED LOANS

Current maturities of Fixed Deposit

- From Public	24.31	38.88
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Total	2,537.58	3,496.31
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- i Working Capital Loans from Banks are secured by hypothecation of current assets, and further secured/ to be secured by way of second charge on all immovable assets, both present and future and on all movable assets of the company (excluding assets purchased on hire purchase basis), ranking pari passu interse, and also guaranteed by Chairman & Managing Director of the Company.

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

- ii 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 Chairman & Managing Director of the Company. Total amount outstanding at the end of the year is Rs. 2683.20 lacs (Previous year Rs. 2420.00 lacs).

7 TRADE PAYABLES

Due to Micro, Small and Medium Enterprises (MSME's) *	—	—
Other than acceptances	3,232.71	1,779.34
Total	<u>3,232.71</u>	<u>1,779.34</u>

* Also refer point no.34 in Additional information to the financial statements

8 OTHER CURRENT LIABILITIES

Current maturities of Long Term Loan	1,321.26	1,418.32
Current maturities of finance lease obligation	2.19	1.95
Interest accrued but not due on borrowings	42.28	21.45
Unclaimed dividends *[Refer note (a) below]	8.53	8.55
Creditors for Capital Expenditure	237.12	1.19
Advances from customers	33.45	—
Employee Benefits payable	1.34	16.11
Statutory and other dues payable	35.79	31.66
Expenses Payable	498.68	459.39
Total	<u>2180.64</u>	<u>1958.62</u>

*Note (a) : Due to Investor's Education and protection Fund under Section 205C of the Companies Act, 1956 will be determined of the respective due dates

9 SHORT TERM PROVISIONS

Provision for Employee benefits	110.00	88.37
Total	<u>110.00</u>	<u>88.37</u>

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

10 FIXED ASSETS

	Gross Block				Depreciation/Amortisation				Net Block	
	April 1, 2011	Addition	Disposal	March 31, 2012	April 1, 2011	For the Year	Disposal/ Adjustments	March 31, 2012	March 31, 2012	March 31, 2011
A. Tangible Assets										
Land	24.34			24.34				—	24.34	24.34
Building *	1870.76	16.02		1886.78	1075.90	64.23		1140.13	746.65	794.86
Plant and Equipment	10738.52	296.60	2.92	11032.20	4694.54	546.76	2.52	5238.78	5793.42	6043.98
Office Equipment	233.21	2.78	2.74	233.25	195.62	7.67	2.09	201.20	32.05	37.59
Furniture and Fixtures	88.99	2.55	0.18	91.36	81.93	1.63	0.15	83.41	7.95	7.06
Vehicles	71.00			71.00	59.71	2.87		62.58	8.42	11.29
Total A	13026.82	317.95	5.84	13338.93	6107.70	623.16	4.76	6726.10	6612.83	6919.12
Previous year end	13374.16	36.64	383.98	13026.82	5693.4	641.10	226.80	6107.70	6919.12	
B. Assets taken on Finance Lease										
Vehicles	11.97			11.97	3.32	2.24		5.56	6.41	8.65
Total B	11.97	—	—	11.97	3.32	2.24	—	5.56	6.41	8.65
Previous year end	5.27	6.70	—	11.97	2.12	1.20	—	3.32	8.65	3.15
Total A+B	13038.79	317.95	5.84	13350.90	6111.02	625.40	4.76	6731.66	6619.24	6927.77
Previous year end (i)	13379.43	43.34	383.98	13038.79	5695.52	642.30	226.80	6111.02	6927.77	
C. Intangible Assets										
	Gross Block				Amortisation				Net Block	
	April 1, 2011	Addition	Disposal	March 31, 2012	April 1, 2011	For the Year	Disposal/ Adjustments	March 31, 2012	March 31, 2012	March 31, 2011
Own Assets (Acquired):										
Computer Software	225.08	16.60		241.68	209.85	6.37	—	216.22	25.46	15.23
Total C	225.08	16.60	—	241.68	209.85	6.37	—	216.22	25.46	15.23
Previous year end (ii)	224.36	0.70	—	225.06	203.47	6.36	—	209.83	15.23	
Total A+B+C	13263.87	334.55	5.84	13592.58	6320.87	631.77	4.76	6947.88	6644.70	6943.00
Previous year end (i) to (ii)	13603.79	44.04	383.98	13263.85	5898.99	648.66	226.80	6320.85	6943.00	
* Includes Rs.500 (Previous year Rs.500) being cost of shares held in Mittal Chambers Owner's Co-operative Society										

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

11 NON CURRENT INVESTMENTS

	As at 31.03.2012		As at 31.03.2011	
	(Rs in lacs)		(Rs in lacs)	
	Quoted (I)	Un-Quoted (II)	Quoted (I)	Un-Quoted (II)
LONG TERM INVESTMENTS - Valued at cost				
In Equity Shares of Associate (Trade)				
Patspin India Limited - 1,42,87,068 (31.03.2011-1,42,87,068) of Rs.10 each	1,964.26		1,964.26	
In Equity Shares (Non-Trade)				
Central Bank of India - 243 (31.03.2011- 154) Equity Shares of Rs.10 each	0.25		0.16	
In Bonds				
Central Bank of India - Series X 8.15% Tier II Bonds	20.00		20.00	
In Other Investments				
GTN Consumer co-operative stores Limited (2100 shares of Rs. 10 each)		0.21		0.21
GTN Textiles Employees credit Co-op Society Limited (200 shares of Rs.100 each)		0.20		0.20
	<u>1,984.51</u>	<u>0.41</u>	<u>1,984.42</u>	<u>0.41</u>
Total (I) + (II)		1,984.92		1,984.83
Aggregate amount of quoted investments market value		1,256.08		2,306.15

12 LONG TERM LOANS AND ADVANCES

	As at 31.03.2012 (Rs in lacs)	As at 31.03.2011 (Rs in lacs)
Unsecured, considered good		
Capital Advances	11.61	2.01
Security Deposits	14.74	12.94
Income Tax (Net of Provision Rs.126.67 lacs ; Previous year Rs.126.67 lacs)	34.43	27.71
Minimum Alternate Tax Credit entitlement	36.46	36.46
Total	<u>97.24</u>	<u>79.12</u>

13 INVENTORIES

Stores, Spares and Packing Materials - (Refer note no 1(e) -Accounting Policies)	57.10	55.61
Stock In Trade - (Refer note no.1(e) - Accounting Policies)		
Raw Materials	2242.86	3022.02
Goods-in-Process	171.32	229.83
Finished Goods	1601.91	528.86
Waste Stock	4.02	5.06
Total	<u>4077.21</u>	<u>3841.38</u>

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

14 TRADE RECEIVABLES

	As at 31.03.2012 (Rs in lacs)	As at 31.03.2011 (Rs in lacs)
Unsecured, considered good unless otherwise stated		
Less than six months	1389.84	1117.45
	<u>1389.84</u>	<u>1117.45</u>

15 CASH AND BANK BALANCES

a. Cash and cash equivalents:

Cash in Hand	7.81	41.66
Balances with Scheduled Banks in Current Accounts	29.14	763.23
Short term deposit with banks	150.00	—
	<u>186.95</u>	<u>804.89</u>

b. Other bank balances:

Unclaimed Dividend Accounts	8.53	8.55
Margin Money and other lien deposits	299.29	254.58
	<u>307.82</u>	<u>263.13</u>

Total	<u>494.77</u>	<u>1068.02</u>
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16 SHORT TERM LOANS AND ADVANCES

Unsecured considered good, unless otherwise stated:

Considered doubtful	2.91	2.91
Less: Provision for Doubtful advances	2.91	2.91
	<u>—</u>	<u>—</u>

TUF rebate receivable	121.57	233.83
Export Incentives receivable	8.67	3.04
Security Deposits	99.47	99.06
Prepaid Expenses	8.23	13.20
Advance for Raw material	117.09	626.54
Other Advances	251.62	269.40
Balances with Statutory Authorities	14.53	18.62
	<u>621.18</u>	<u>1263.69</u>

17 OTHER CURRENT ASSETS

Interest Accrued on Deposits	20.48	7.34
	<u>20.48</u>	<u>7.34</u>

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

18 REVENUE FROM OPERATIONS

	Year ended 31.03.2012 (Rs in lacs)	Year ended 31.03.2011 (Rs in lacs)
(A) SALE OF PRODUCTS		
Finished Goods :		
Exports	6,089.67	7,907.38
Local	6,318.42	5,757.46
Traded Goods:		
Exports	296.74	583.88
Waste Sales:		
Exports	15.60	—
Local	858.69	614.72
	<u>13,579.12</u>	<u>14,863.44</u>
(B) OTHER OPERATING INCOME		
Sale of scrap	11.46	11.91
Job work charges	73.50	50.54
Export Incentive	348.03	17.33
	<u>432.99</u>	<u>79.78</u>
Total (A) +(B)	<u>14,012.11</u>	<u>14,943.22</u>
Less Excise Duty	—	—
	<u>14,012.11</u>	<u>14,943.22</u>

19 OTHER INCOME

OTHER INCOME

Interest Income	37.37	23.72
Insurance claim	—	0.66
Miscellaneous receipts	1.20	1.20
Net gain on foreign currency transaction and translation	—	155.34
Total	<u>38.57</u>	<u>180.92</u>

20 COST OF MATERIALS CONSUMED

a Raw materials Consumed

Opening Inventory		3,022.02		2,598.13
Add:Purchases during the Year	11449.12		10370.71	
Less:Sale of Cotton	<u>3,252.15</u>	8,196.97	<u>1,909.85</u>	8460.86
Less: Closing Stock		<u>2,242.86</u>		<u>3,022.02</u>
Sub Total		<u>8,976.13</u>		<u>8,036.97</u>

b Packing Material Consumed

Opening Inventory		19.96		23.78
Add:Purchases during the Year		151.47		158.59
Less: Closing Stock		<u>20.77</u>		<u>19.96</u>
Sub Total		<u>150.66</u>		<u>162.41</u>
Total (a + b)		<u>9126.79</u>		<u>8199.38</u>

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

21 CHANGES IN INVENTORY OF FINISHED GOODS, GOODS IN PROCESS AND STOCK-IN-TRADE

	Year ended 31.03.2012 (Rs in lacs)	Year ended 31.03.2011 (Rs in lacs)
a Stock at the beginning of the year:		
Finished goods	528.85	634.13
Goods In process	229.83	173.95
Waste	5.06	3.27
	<u>763.74</u>	<u>811.35</u>
b Less : Stock at the end of the year:		
Finished goods	1,601.91	528.86
Goods In process	171.32	229.83
Waste	4.02	5.06
	<u>1,777.25</u>	<u>763.75</u>
(Increase) / Decrease inventory (a - b)	<u>(1,013.51)</u>	<u>47.60</u>

22 EMPLOYEE BENEFITS EXPENSES

Salaries, Wages and Bonus	1,695.24	1,471.05
Contribution to Provident and Other Funds	245.34	207.87
Welfare Expenses	113.85	91.70
Total	<u>2,054.43</u>	<u>1,770.62</u>

23 FINANCE COST

Interest Expenses	839.09	769.27
Other borrowing costs	51.52	35.89
Net Loss on foreign currency transaction and translation	60.50	—
Total	<u>951.11</u>	<u>805.16</u>

24 OTHER EXPENSES

Power and fuel	1254.56	1171.62
Process charges expenses	262.47	253.50
Consumption -stores and spares	68.26	59.11
Repairs & Maintenance - Plant & mach	200.47	182.33
Repairs & Maintenance - Building	2.77	1.70
Commission and Brokerage	214.79	256.54
Other selling expenses	178.25	218.98
Insurance	59.15	65.17
Rates and Taxes	7.76	8.45
Rent	10.97	9.94
Directors sitting fees	2.35	2.68
Payment to Auditors		
Audit Fee	1.38	1.38
Tax Audit Fee	0.28	0.28
Certification Charges	0.35	0.77
Out of Pocket Expenses	0.18	0.10
Cost Audit Fees	0.34	0.33
Net loss on foreign currency transaction and translation	109.27	
Loss on sale/Discard of fixed assets	0.79	118.00
Miscellaneous Expenses	292.74	303.59
Total	<u>2,667.13</u>	<u>2,654.47</u>

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

25 EARNING PER SHARE

		31.03.2012 (Rs. in lacs)	31.03.2011 (Rs. in lacs)
Net profit /(Loss) as per statement of profit and loss		(442.58)	380.96
Weighted average Number of Equity Shares (Rs.10 per share)	Nos	11640478	11640478
Basic and Diluted Earning Per Share	Rs.	(3.80)	3.27

26 Disclosure In respect of Company's Interest in Joint Venture in India pursuant to Accounting Standard 27:

Financial Reporting of Interest in Joint Ventures:

		31.03.2012 (Rs. in lacs)	31.03.2011 (Rs. in lacs)
A.	Name of the Ventures : Patspin India Limited		
B.	Proportion of Ownership Interest:	46.21%	46.21%
C.	The Aggregate of Company's share in the above ventures in:		
	Non Current Assets:		
	Net Fixed Assets		
	Tangible Assets	10,396.15	10,729.25
	Intangible Assets	16.63	7.96
	Capital work-in-progress	255.23	—
	Non-current Investment	0.15	0.15
	Long term Loans and Advances	419.90	360.52
	Current Assets:		
	Inventories	4,359.54	5,448.36
	Trade receivables	1,188.62	909.84
	Cash and Bank Balances	366.07	303.10
	Short-term loans and advances	703.65	788.49
	Other current assets	4.11	10.92
	Current Liabilities		
	Short-term Borrowings	4,262.95	3,174.53
	Trade payables	1,256.17	1,146.21
	Other current liabilities	1,708.70	1,672.57
	Short-term Provisions	25.90	24.55
	Non-Current Liabilities		
	Long-term borrowings	8,847.90	9,258.83
	Deferred Tax Liability(Net)	251.45	836.85
	Revenue:		
	Revenue From Operations	19,690.52	19,638.17
	Other income	27.26	163.99
	Expenditure		
	Cost of materials consumed	14,614.46	12,078.24
	Purchases of Stock-in-Trade	966.64	1,369.05
	Changes in inventories of finished goods, goods in process and waste	(177.56)	(582.02)
	Employee benefits expense	848.53	766.56
	Finance costs	1,298.13	984.32
	Depreciation and amortization expense	930.79	917.35
	Other expenses	2,910.27	2,470.12
	Provision for Current Tax (MAT)	—	199.77
	MAT Credit Entitlement	—	(199.77)
	Deferred Tax Liability / (Reversal)	(585.40)	627.36
	Contingent Liabilities	266.19	67.87

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

27 GRATUITY

		Gratuity (Funded) 2011-12 (Rs. in lacs)	Gratuity (Funded) 2010-11 (Rs. in lacs)
A	Expense recognised during the year		
	1 Current Service Cost	25.29	21.34
	2 Interest cost	60.07	52.29
	3 Expected return on plan assets	(70.68)	(65.46)
	4 Actuarial Loss/(Gain) during the year	11.72	66.98
	5 Expenses recognised in Statement of Profit & Loss	26.39	75.14
B	Actual return on Plan assets		
	1 Expected return on plan assets	70.68	65.46
	2 Actuarial Gain/(Loss) on Plan assets		-
	3 Actual return on plan assets	70.68	65.46
C	Net Asset/(Liability) recognised in the Balance Sheet		
	1 Present value of the obligation at the year end	778.80	750.84
	2 Fair Value of plan assets at the year end	835.70	786.11
	3 Funded status - surplus/(deficit)	56.91	35.27
	4 Unrecognised past service cost	—	—
	5 Net Asset/(Liability) recognised in the Balance Sheet	56.91	(35.27)
D	Change in Present value of the Obligation during the year		
	1 Present value of the obligation as at the beginning of year	750.84	653.59
	2 Current service cost	25.29	52.29
	3 Interest cost	60.07	21.34
	4 Benefits paid	(69.11)	(43.35)
	5 Actuarial loss/(gain) on obligation	11.72	66.98
	6 Present value of obligation at the year end	778.80	750.84
E	Change in Assets during the year		
	Fair Value of plan assets at the beginning of the year	786.11	724.13
	Expected return on plan assets	70.68	65.46
	Contributions made	48.02	39.87
	Benefits paid	(69.11)	(43.35)
	Actuarial Loss/(gain) on plan assets	Nil	Nil
	Fair value of plan assets at the year end	835.70	786.11
F	Actuarial Assumptions		
	Discount rate	8.00%	8.00%
	Salary escalation	3.00%	3.00%

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

28. Related Party Disclosures

(a) List of Related parties (as identified by the management)

Related parties with whom transactions are taken place during the year :

Associates	GTN Enterprises Ltd	
Joint Ventures	Patspin India Ltd	
Key Management Personnel	Shri B.K Patodia – Chairman & Managing Director	
Enterprises/Entities having Key Management Personnel:	1	M/S. Beekaypee Credit (P) Ltd
	2	M/S. Patodia Exports & Investments (P) Ltd
	3	M/S. Umang Finance Pvt. Ltd.
Relatives of Key Management Personnel	1	Sri. Umang Patodia, Son of Sri. B.K. Patodia
	2	Smt. Prabha Patodia, Wife of Sri. B.K. Patodia
	3	Sri. Ankur Patodia, Son of Sri. B.K. Patodia
	4	Smt. Mala Patodia, Daughter in Law of Sri. B.K. Patodia
	5	Smt. Swati Patodia, Daughter in Law of Sri. B.K. Patodia
	6	Kum. Anavi Patodia (Minor), Grand Daughter of Sri. B.K.Patodia
	7	Master. Arnav Patodia (Minor), Grand Son of Sri. B.K.Patodia
	8	Kum. Annaya Patodia (Minor), Grand Daughter of Sri. B.K.Patodia

(b) Transactions / Balances	Associates		Joint Ventures		Key Management Personnel		Enterprises/Entities of Key management Personnel	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Sale of goods	1,367.32	669.16	2,883.80	1,464.56				
Purchase of goods	1,763.27	860.13	1,775.80	486.84				
Purchase of fixed assets	—	—	—	—				
Sale of fixed assets	—	41.63	—	—				
Rendering of services	23.86	17.94	49.14	33.96			3.60	3.60
Receiving of services	189.83	109.13	43.36	82.51				
Remuneration paid					53.08	54.27		
Lease rentals received								
Lease rentals paid								
Sitting Fees								
Loans repaid							80.80	6.70
Loans taken							81.80	2.30
Interest Paid					0.30	—	1.07	0.67
Balances as at year end								
Trade Payables	438.39	—						
Trade Receivables			136.16					
Loans repaid							5.80	4.80
Loans taken								
Investments			1,964.26	1,964.26				
Guarantees provided for			300.00	—				
Guarantees received			175.00	—				

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	
		March 31, 2012	March 31, 2011
(I)	Interest on Fixed Deposit	0.30	
	M/s Binod Kumar Patodia – HUF	0.14	
	M/s Ankur Patodia - HUF	0.20	
	Mrs Mala Patodia	0.19	
	M/s Umang Patodia - HUF		
	Anavi Patodia (Minor)	0.00	0.14
	Arnav Patodia (Minor)	0.00	0.17
	Annaya Patodia	0.54	0.36
(II)	Fixed Deposit Taken		
	Shri Umang Patodia	10.00	
	Smt Prabha Patodia	11.00	
	M/s. Binod Kumar Patodia - HUF	12.00	
	Shri Ankur Patodia	13.00	
	Mrs Mala Patodia	7.00	
	M/s. Umang Patodia - HUF	8.00	
	Mrs Swati Patodia	8.00	
	M/s. Ankur Patodia - HUF	7.00	
	Annaya Patodia	5.80	
(III)	Fixed Deposit Repaid		
	Shri Umang Patodia	10.00	
	Smt Prabha Patodia	11.00	
	M/s Binod Kumar Patodia - HUF	12.00	
	Shri Ankur Patodia	13.00	
	Mrs Mala Patodia	7.00	
	M/s. Umang Patodia - HUF	8.00	
	Mrs Swati Patodia	8.00	
	M/s. Ankur Patodia - HUF	7.00	
	Annaya Patodia	4.80	
(IV)	Sale of Goods		
	A) Cotton		
	I) GTN Enterprises Ltd.	616.77	279.93
	II) Patspin India Ltd.	2,588.39	1,104.61
	B) Cotton Yarn		
	I) GTN Enterprises Ltd.	750.55	387.22
	II) Patspin India Ltd.	289.50	352.69
	C) Store Items		
	I) Patspin India Ltd.	5.91	-
	D) Focus Market License		
	I) GTN Enterprises Ltd	-	2.01
	II) Patspin India Ltd.	-	7.26
	E) Machinery		
I) GTN Enterprises Ltd.	-	41.63	

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

		Transactions	
		March 31, 2012	March 31, 2011
(V)	Purchase of Goods		
A)	Cotton		
	I) GTN Enterprises Ltd	990.71	280.15
	II) Patspin India Ltd.	1,234.18	102.98
B)	Cotton Yarn		
	I) GTN Enterprises Ltd	772.56	579.98
	II) Patspin India Ltd.	541.37	383.86
C)	Store Items		
	I) Patspin India Ltd.	0.25	0.00
(VI)	Rendering of Services		
A)	Rent		
	I) GTN Enterprises Ltd	1.20	1.20
	II) Patspin India Ltd.	1.32	1.32
B)	Processing Charges		
	I) GTN Enterprises Ltd	22.66	16.74
	II) Patspin India Ltd.	47.82	32.64
(VII)	Receiving of Services		
A)	Rent		
	I) Patspin India Ltd.	2.64	2.15
	II) Prabha Patodia	1.80	1.80
	III) Mala Patodia	0.90	0.90
	IV) Swati Patodia	0.90	0.90
B)	Processing Charges		
	I) GTN Enterprises Ltd.	189.83	109.13
	II) Patspin India Ltd.	40.72	80.36
(VIII)	Remuneration Paid		
	Sri. B.K. Patodia	53.08	54.27
(IX)	Guarantees Provided for Patspin India Limited	300.00	
(X)	Guarantees Received from Patspin India Limited	175.00	

- 29** 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.
- 30** 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. 6402.00 Lacs (Previous year Rs. 8491.21 lacs) and within India sale of Rs. 7188.57 lacs (Previous year Rs. 6384.09 Lacs)
- 31** Finance Lease assets and their against loan repayable future payments disclosure required in AS 19.

Particulars	As at 31.03.2012			As at 31.03.2011		
	Total Minimum payments Outstanding (Rs. in Lacs)	Future Interest on outstanding (Rs. in Lacs)	Present value of mimum payments (Rs. in Lacs)	Total Minimum payments Outstanding (Rs. in Lacs)	Future Interest on outstanding (Rs. in Lacs)	Present value of mimum payments (Rs. in Lacs)
1. Due within one year	2.72	0.54	2.18	Nil	Nil	Nil
2. Between one year to five years	4.20	0.56	3.64	9.64	1.86	7.78
Total	6.92	1.10	5.82	9.64	1.86	7.78

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

32 CONTINGENT LIABILITIES AND COMMITMENTS

A COMMITMENTS

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

B CONTINGENT LIABILITIES

- Contingent Liabilities and commitments not provided for in respect of :
Disputed amounts of Taxes and Duties and other claims not acknowledged as debts : Rs. Nil (Previous year Rs. Nil.)
- The company has given corporate Guarantee amounting of Rs. 300 Lacs (Previous year Nil) to EXIM bank in respect of financial assistance provided by them to PATSPIN INDIA LIMITED under restructured TUF scheme and the outstanding amount of the said loan is Rs. 908 Lacs (Previous year Nil)
- Outstanding Forward Contracts (not in the nature of derivatives) as on 31st March 2012 which were entered into for hedging exchange risk arising from foreign currency fluctuations related to highly probable future transactions amounting to US\$ 34.29 Lacs (Previous year US\$47.22 Lacs) at average exchange rate of Rs. 49.31/US\$ (Previous year Rs..47.41/US\$) and Euro 4.28 Lacs (Previous year Euro 1.21 Lacs) at an average exchange rate of Rs.69.26/Euro (Previous year Rs. 63.39/Euro). The period covered under these contracts spreads over April 2012 to March 2013 (Previous year April 2011 to March 2012). The average exchange rate applicable for above period based on exchange rate on 31.03.2012 works out to Rs. 52.67/US\$ (Previous year Rs. 46.26/US\$) and Rs. 70.37/Euro (Previous year Rs. 63.91/Euro), resulting a notional loss of Rs. 119.83 lacs (Previous year notional profit of Rs. 53.44 Lacs)
- Particulars of unhedged Foreign Currency exposures as at 31.03.2012 are given below:

Particulars	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 41.97	51.22	2149.70	USD 19.75	44.71	883.02
	EUR 3.69	68.38	252.32	EUR 0.23	63.16	14.53
	CHF 0.54	56.72	30.63			

33 Net loss / Gain on foreign currency transaction and translation

The amount of net loss on foreign currency transaction and translation included in the Other expenses amounts to Rs.109.27 lacs (Previous year Rs. 155.34 lacs gain included in Other income). This included loss on account of export Rs.173.15 lacs (Previous year Rs. 129.85 lacs gain), gain on account of import Rs. 77.34 lacs (Previous year Rs. 32.67 lacs gain) and loss on account of cancellation of forward contracts Rs. 13.46 lacs (Previous year Rs. 7.18 lacs loss)

34 DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AND DEFINED UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES ACT, 2006

	As at 31.03.2012 (Rs. in lacs)	As at 31.03.2011 (Rs. in lacs)
The principal amount and interest due thereon remaining unpaid as on the Balance sheet date	Nil	Nil
Interest paid along with the amount of the payment during the year	Nil	Nil
Interest due and payable but without adding the interest specified in the above-mentioned act.	Nil	Nil
Interest accrued and remaining unpaid at the end of the year.	Nil	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.	Nil	Nil

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

35 VALUE OF IMPORTS ON CIF BASIS	31.03.2012 (Rs. in lacs)	31.03.2011 (Rs. in lacs)
a Raw Materials - Cotton	4987.41	3528.13
b Stores	44.40	31.18
c Capital Goods	230.43	—
Total	5262.24	3559.31
36 EXPENDITURE IN FOREIGN CURRENCY		
Agents Commission	195.04	236.97
Foreign Travel	18.75	11.81
Others	38.13	14.46
Total	251.92	251.43
37 IMPORTED AND INDIGENOUS RAW MATERIALS		
a Raw Materials		
Cotton Imported	4344.83	3245.50
Cotton Indigenous	2984.37	1900.74
Yarn Indigenous	1646.93	2890.73
Total	8976.13	8036.97
b Traded Goods (Yarn -Indigenous)	281.54	527.29
c Packing Materials		
Imported	3.96	2.05
Indigenous	146.70	160.36
Total	150.66	162.41
d Stores and Spares		
Imported	1.42	0.41
Indigenous *	69.36	65.34
Total	70.78	65.75
*Includes HSD Value Rs. 2.52 Lacs (Previous Year Rs. 6.64 lacs) charged to Power & Fuel		
38 EARNINGS IN FOREIGN CURRENCY		
FOB Value of Exports (Rs in lacs)	6340.98	8397.22

39 PREVIOUS YEAR 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 figures to confirm to this year's classification.

Signature to Note 1 to 39

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 & Managing
Director

N. K. BAFNA
Director

R. MUGUNTHAN

Partner

(M. No. 21397)

Place: Kochi

Date: 23rd May, 2012

E. K. BALAKRISHNAN

General Manager & Company Secretary



GTN TEXTILES LIMITED

Registered Office: Door No.VIII/911, Erumathala Post, Aluva – 683 112.

Proxy

SEVENTH 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 **SEVENTH ANNUAL GENERAL MEETING** of the Company to be held at 'Oceanic Hall', Hotel Periyar, Aluva – 683 101 on Monday, 13th August, 2012 at 12.15 p.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 Aluva, not later than 48 hours before the time for holding the aforesaid meeting.

Attendance Slip



GTN TEXTILES LIMITED

Registered Office: Door No.VIII/911, Erumathala Post, Aluva – 683 112.

SEVENTH 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 **SEVENTH ANNUAL GENERAL MEETING** of the Company to be held at 'Oceanic Hall', Hotel Periyar, Aluva – 683 101 on Monday, 13th August, 2012 at 12.15 p.m or at any adjournment thereof.

.....
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: VIII/911, Erumathala P O., Aluva, Kochi 683 112
Corporate Office: 43, Mittal Chambers, 4th Floor, 228, Nariman Point,
Mumbai 400 021

An ISO 9001: 2008/14001:2004 Certified Company
www.gtn textiles.com