

The GOKAK logo, consisting of a stylized blue 'G' monogram above the word 'GOKAK' in a bold, blue, sans-serif font with a white outline. A small 'TM' trademark symbol is positioned to the upper right of the 'K'. Below 'GOKAK' is the text 'TEXTILES LIMITED' in a smaller, blue, sans-serif font.

**GOKAK**<sup>TM</sup>  
TEXTILES LIMITED

**6<sup>th</sup> Annual Report 2011-2012**



→ Design studio

Process House (Dyeing Unit) ←





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Annual General Meeting will be held on Thursday, the 29<sup>th</sup> November, 2012 at 3.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560001.

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**NOTICE**

NOTICE is hereby given that the 6<sup>th</sup> ANNUAL GENERAL MEETING of the Members of GOKAK TEXTILES LIMITED, will be held on Thursday, the 29<sup>th</sup> November, 2012 at 3.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001 to transact the following business :

**Ordinary Business :**

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2012 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr.Ashok Barat who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr.R.N.Jha who retires by rotation and is eligible for re-appointment.
4. To appoint Messrs. Kalyaniwalla & Mistry, Chartered Accountants (Registration No.104607W), as Auditors and to authorise the Board of Directors to fix their remuneration.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :  
“RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Murugesh & Co., Chartered Accountants, Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company’s Forbes Campbell Knitwear Division situate at Marihal, Belgaum and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company, in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting the audit”.

**Special Business :**

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution :  
“RESOLVED that Mr.Vasant N.Sanzgiri be and is hereby appointed as a Director of the Company liable to retire by rotation.
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution :  
“RESOLVED that Mr. D. G. Prasad be and is hereby appointed as a Director of the Company liable to retire by rotation”.

For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
*Chairman*

Mumbai  
31<sup>st</sup> October, 2012.

Registered Office :  
No.24, 29<sup>th</sup> Main  
BTM Layout II Stage  
Bangalore – 560 076.

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. AN INSTRUMENT OF APPOINTMENT OF PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME SCHEDULED FOR COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted in respect of item no.6 & 7 is annexed hereto.
3. Members/Proxies are requested to bring their copy of Annual Report and duly-filled Attendance slips sent herewith to attend the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 20<sup>th</sup> November, 2012 to Thursday 29<sup>th</sup> November, 2012 (both days inclusive).
5. Members are requested to promptly notify any change in their address to the Registrars and Share Transfer Agents or the Depository Participants (in case of shares held in dematerialized mode).
6. The shareholders desirous of obtaining any information with regard to audited accounts of the company for the financial year 01.04.2011 to 30.09.2012 or any other related matters are requested to write to the company well in advance before the date fixed for the annual general meeting, so that, the information required could be kept ready.
7. Nomination of shares : Pursuant to Section 109A of the Companies Act, 1956, individual Shareholders holding Equity Shares of the Company either singly or jointly may nominate an individual to whom all the rights in such Shares shall vest in the event of death of the sole/all joint Shareholders.
8. As a measure of support to the “Green Initiative in Corporate Governance” allowing paperless compliances by Companies in serving of notice / documents to its Members through electronic mode initiated by the Ministry of Corporate Affairs (“MCA”), Government of India, your company has been sending the Annual Reports containing the Notice, Directors Reports, Audited Financial Statements, Auditors Report, Report on Corporate Governance etc., to the e-mail IDs registered by you with your Depository Participant or registered with the Registrar & Transfer Agent in case of holding of shares in physical form. We are confident that you would appreciate the “Green Initiative” taken by MCA and co-operate in helping the Company to implement the e-governance initiatives of the Government. The Members who have not yet registered their e-mail address are requested to register their e-mail address with their respective Depository Participant so as to ensure that the annual report and other documents reach them on their preferred e-mail ID. Members holding shares in physical mode are requested to update/register their e-mail address with [tsrdlbg@tsrdarashaw.com](mailto:tsrdlbg@tsrdarashaw.com), or [ramanandapai@gokaktextiles.com](mailto:ramanandapai@gokaktextiles.com) so as to ensure that the annual report and other documents reach them on their preferred e-mail ID.
9. Please address all communications including lodging of Transfer Deeds to :-

**REGISTRARS AND SHARE TRANSFER AGENTS**

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

**Branch Offices**

- |  |   |
|--|---|
| <p>1. TSR Darashaw Ltd.<br/>503, Barton Centre, 5th floor,<br/>84, Mahatma Gandhi Road,<br/>Bangalore 560 001<br/>Tel.:080-25320321 Fax:080-25580019<br/>e-mail:<a href="mailto:tsrdlbg@tsrdarashaw.com">tsrdlbg@tsrdarashaw.com</a></p> | <p>3. TSR Darashaw Ltd.<br/>Bungalow No.1, “E” Road,<br/>Northern Town, Bistupur,<br/>Jamshedpur 831 001<br/>Tel.:0657-2426616 Fax:0657-2426937<br/>e-mail:<a href="mailto:tsrdljsr@tsrdarashaw.com">tsrdljsr@tsrdarashaw.com</a></p> |
| <p>2. TSR Darashaw Ltd.<br/>Tata Cente, 1st floor,<br/>43, Jawaharlal Nehru Road,<br/>Kolkata 700 071<br/>Tel.:033-22883087 Fax:033-22883062<br/>e-mail:<a href="mailto:tsrdlcal@tsrdarashaw.com">tsrdlcal@tsrdarashaw.com</a></p>       | <p>4. TSR Darashaw Ltd.<br/>Plot No.2/42, Sant Vihar,<br/>Ansari Road, Daryaganj,<br/>New Delhi 110 002<br/>Tel.:011-23271805 Fax:011-23271802<br/>e-mail:<a href="mailto:tsrdldel@tsrdarashaw.com">tsrdldel@tsrdarashaw.com</a></p>  |

**Agent**

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

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

GOKAK TEXTILES LIMITED  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage, Bangalore – 560 076  
Telephone: 080 26685094 Fax : 080 26689604 e-mail. [ramanandapai@gokaktextiles.com](mailto:ramanandapai@gokaktextiles.com)  
**Kindly quote your Ledger Folio No./ Client ID No.**

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**ANNEXURE TO THE NOTICE**

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

**In respect of Item No. 6 :**

The Board of Directors of the Company, appointed Mr. Vasant N. Sanzgiri as an Additional Director of the Company with effect from 22<sup>nd</sup> May, 2012 in accordance with the provisions of Section 260 of the Companies Act, 1956 (hereinafter referred to as “the Act”) read with Article 124 of the Articles of Association of the Company (hereinafter referred to as “the Articles”). Mr. Vasant N. Sanzgiri holds office upto the date of the ensuing Annual General Meeting.

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

Mr. Vasant N.Sanzgiri, aged 52 years, graduated in B’ Sc in Life Science and holds Masters degree in Management Studies from Sydenham Institute of Management Studies, Mumbai. He is presently working as Group Head of Human Resources, Shapoorji Pallonji Group, Mumbai. He has wide and varied experience of 25 years in different industries like Taj Group of Hotels, Cyanamid India Ltd., Modi Xerox India Ltd., DCW Home Products, Owen Corning India Ltd., and ICICI Prudential AMC Ltd., The Board of Directors consider that the appointment of Mr.Vasant Sanzgiri would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.6 of the Notice.

Your directors commends the Resolution set out at Item No.6 of the Notice for approval by the Members.

None of the directors of the company other than Mr.Vasant N. Sanzgiri is concerned or interested in the aforesaid resolution.

**In respect of Item No. 7 :**

The Board of Directors of the Company, appointed Mr. D.G. Prasad as an Additional Director of the Company with effect from 28<sup>th</sup> May, 2012 in accordance with the provisions of Section 260 of the Companies Act, 1956 (hereinafter referred to as “the Act”) read with Article 124 of the Articles of Association of the Company (hereinafter referred to as “the Articles”). Mr. D. G. Prasad holds office upto the date of the ensuing Annual General Meeting.

A Notice in writing, has been received from a Member under Section 257 of the Act together with the requisite deposit, signifying his intention to propose Mr. D.G. Prasad as a candidate for appointment as a Director. For the purpose of the provisions of Clause 49 of the Listing Agreement, Mr. D.G. Prasad, would be regarded as an Independent Director.

Mr. D.G.Prasad, aged 64 years is a Chartered Accountant. He was General Manager of Export Import Bank of India (EXIM Bank). He has wide and varied experience in commercial banking, project finance, international finance, corporate strategies, loan syndication, treasury management etc., The Board of Directors consider that the appointment of Mr. D.G. Prasad would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.7 of the Notice.

Your directors commends the Resolution set out at Item No.7 of the Notice for approval by the Members.

None of the directors of the company other than Mr. D.G. Prasad is concerned or interested in the aforesaid resolution.

For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
*Chairman*

Mumbai  
31<sup>st</sup> October, 2012.

Registered Office :  
No.24, 29<sup>th</sup> Main  
BTM Layout II Stage  
Bangalore – 560 076.

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

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

Name of the Director	Mr.Ashok Barat	Mr.R.N.Jha
Date of Birth	5 <sup>th</sup> December, 1956	2 <sup>nd</sup> July, 1939
Date of First Appointment	29 <sup>th</sup> November, 2006	30 <sup>th</sup> January, 2009
Qualification	FCA, FCS	B.A. (Hons.)
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	Mr. Ashok Barat is the Chairman of Forbes Technologies Ltd., Nypro Forbes Moulds Pvt. Ltd., and Forbes Finance Ltd., He is the Managing Director of Forbes & Company Ltd. He is also a Director of several Public Limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr. R.N.Jha is a former Executive Director of LIC of India and he is at present a Management Consultant. He is Director of several Public Limited Companies and his expertise includes insurance, fund management, corporate planning restructuring of projects and real estate.
List of Public Limited Companies in which Directorship held as on 30 <sup>th</sup> September, 2012	<u>PUBLIC COMPANIES</u> 1. Forbes & Company Ltd. 2. Forbes Technosys Ltd., 3. Forbes Campbell Finance Ltd., 4. Nypro Forbes Moulds Ltd., 5. Nypro Forbes Products Ltd., 6. Forbes Bumi Armada Ltd., 7. Forbes Bumi Armada Offshore Ltd. 8. SCI Forbes Ltd.,	<u>PUBLIC COMPANIES</u> 1. Forbes & Company Ltd., 2. Next Gen Publishing Ltd., 3. S.Kumars Online Ltd., 4. Vasundhara Hospitality Ltd.
Member of the Board Committees	1. <u>Audit Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd., (c) SCI Forbes Ltd., 2. <u>Share Transfer &amp; Shareholders Grievance Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd.,	1. <u>Audit Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd., (c) S Kumars Online Ltd., (d) Next Gen. Publishing Ltd. 2. <u>Remuneration Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd., 3. <u>Share Transfer &amp; Shareholders Grievance Committee</u> (a) Forbes & Company Ltd.,
No. of shares held	Nil	Nil

Mumbai  
31<sup>st</sup> October, 2012.

Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage,  
Bangalore – 560 076.

For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
Chairman



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

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

<b>Name of the Director</b>	<b>Mr. Vasant N. Sanzgiri</b>	<b>Mr. D.G. Prasad</b>
Date of Birth	12 <sup>th</sup> September, 1960	30 <sup>th</sup> June, 1948
Date of First Appointment	22 <sup>nd</sup> May, 2012	28 <sup>th</sup> May, 2012
Qualification	B' Sc, M.B.A.	FCA
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	Mr. Vasant N. Sanzgiri is presently working as Group Head of Human Resources, Shapoorji Pallonji Group, Mumbai. He has wide and varied experience of 25 years in different industries like Taj Group of Hotels, Cyanamid India Ltd., Modi Xerox India Ltd., DCW Home Products, Owen Corning India Ltd., and ICICI Prudential AMC Ltd.,	Mr. D.G. Prasad is a Chartered Accountant and he is Director of several Public Limited Companies. He has wide and varied experience in commercial banking, project finance, international finance, corporate strategies, loan syndication, treasury management etc.,
List of Public Limited Companies in which Directorship held as on 30 <sup>th</sup> September, 2012	<u>PUBLIC COMPANIES</u> 1. United Motors (India) Limited	<u>PUBLIC COMPANIES</u> 1. Suven Life Sciences Ltd., 2. Mediaone Global Solutions Entertainment Ltd.,
Member of the Board Committees	Nil	1. <u>Audit Committee</u> (a) Suven Life Science Limited (b) Gokak Textiles Limited
No. of shares held	Nil	Nil

Mumbai  
31<sup>st</sup> October, 2012.  
Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage,  
Bangalore – 560 076.

For and on behalf of the  
Board of Directors  
**SHAPOOR P. MISTRY**  
*Chairman*

## DIRECTORS' REPORT

To,  
The Shareholders

Your Directors submit their Report and Audited Accounts of the Company for the financial year from 01.04.2011 to 30.09.2012 ended on 30<sup>th</sup> September, 2012 covering 18 months period. The previous year was of 12 months from 01.04.2010 to 31.03.2011. This aspect may be given due consideration while comparing figures.

### 1. EXTENSION OF FINANCIAL YEAR OF THE COMPANY :

Your Company has extended the financial year 2011-12, covering a period of 18 months from 1<sup>st</sup> April, 2011 to 30<sup>th</sup> September, 2012 as the cotton season in India commences from October and ends in September each year so as to bring the financial year of the Company in line with the cotton season for the purpose of preparation of annual accounts, annual budget etc., In this regard, approval of the Registrar of Companies in Karnataka, Bangalore vide Order dated 12.04.2012 has been obtained.

### 2. FINANCIAL RESULTS:

In accordance with approval granted by the Shareholders, the Hydro Power Business of the Company has been transferred to its subsidiary Gokak Power & Energy Limited with effect from 20<sup>th</sup> September 2012. Surplus on such slump sale is shown separately in the financial results. The summarized financial results are set out below:

(Rs. in Crores)

	(18 months) 1st April 2011 to 30 <sup>st</sup> September 2012	(12 months) 1st April 2010 to 31 <sup>st</sup> March 2011
(a) Gross Income	484.22	414.30
(b) Less: Costs	490.29	366.80
(c) Balance	(6.07)	47.50
(d) Less: Interest and Financial Charges (Net)	39.65	24.73
(e) Balance	45.72	22.77
(f) Less: Depreciation	20.49	13.54
(g) Loss after depreciation carried to Balance Sheet	(66.21)	9.23
(h) Add : Surplus on slump sale	94.06	—
(i) Less: Write-off of Fixed Asset	9.04	—
(j) Balance	18.81	9.23
(k) Add: Net Tax Credit	0.67	(0.14)
(l) Net Profit / loss for the year	19.48	9.37
(m) Add : Balance brought forward	(13.02)	(22.39)
(n) Balance carried to Balance Sheet	6.46	(13.02)

### 3. SHARE CAPITAL & DIVIDEND:

The Paid up Share Capital of the Company continued to remain at Rs.6.50 Crores. With a view to preserve funds for the operations, no dividend for the year is proposed by the Board of Directors.

### 4. SHIFTING OF LOCATION OF REGISTERED OFFICE:

During the year, with effect from 2<sup>nd</sup> April, 2012, the Registered Office of the Company has been shifted from No.45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore – 560 025 to No.24, 29<sup>th</sup> Main, BTM Layout II Stage, Bangalore

– 560 076 for operational convenience. This has been advised to the shareholders, through a Notice published in Business Standard, a National Daily and Sanjeevani, a regional kannada newspaper on 23.04.2012.

### 5. SUBSIDIARY COMPANY :

Your Company has formed a subsidiary company in the name and style of 'Gokak Power & Energy Limited' on 17<sup>th</sup> January, 2012 and obtained a Certificate of Commencement of Business on 26<sup>th</sup> March, 2012. The main object of the subsidiary company is generation, transmission, distribution, trading of hydro power and other renewal and non-renewal sources of energy. The whole of the hydro power business of the Company was transferred to the above said Subsidiary company by way of a slump sale on 20.09.2012 for a consideration of Rs.120 Crores and for which approval of the shareholders has been obtained through postal ballot on 07.07.2012.

The financial information of the subsidiary company viz., Gokak Power & Energy Ltd. is set out in the statement pursuant to Section 212 of the Companies Act, 1956 forming part of this Annual Report. The audited statements of Accounts along with the Report of Board of Directors of Gokak Power & Energy Ltd., together with Auditor's report for the first financial year from 17.01.2012 to 30.09.2012 ended on 30<sup>th</sup> September, 2012 are appended.

While preparing Consolidated Financial Statements of the Company, financials of its subsidiary company viz., Gokak Power & Energy Ltd., have been consolidated as per Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, which forms part of the Annual Report.

### 6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

As mentioned earlier, the current accounting period being 18 months, i.e. from 1<sup>st</sup> April 2011 to 30<sup>th</sup> September 2012 as compared to the previous accounting period of 12 months i.e. from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011, any comparison should be made after taking this into account.

#### 6.1 Industry Structure and Developments:

6.1.1 Period under review was one of the most challenging years as volatility of raw material and finished goods was highest in the history of textiles. The volatility of the raw material globally, was more speculative in nature than resulting from balance of demand and supply. Such volatility in both, raw materials and finished goods, totally destroyed the system of trade, where contracts were made for future delivery, by word of mouth. There was widespread dishonouring of contracts across the product lines which is not a good sign for the industry, as the market depends mainly on the future contracts for delivery of raw materials, across value chain.

6.1.2 The volatility, coupled with the ban on export of yarn, resulted in a steep drop in prices of both, raw materials and finished goods which led to an erosion of the stock value. As a consequence of this, most of the mills, had to witness consequent erosion of working capital, which led to closure of many mills. As per Ministry of Textiles, Government of India, 457 mills (both spinning and composite mills) belonging to non SSI sector were closed as of July, 2012. Your company also had to suffer a substantial value loss due to this phenomenon.

- 6.1.3 Developed economies continued to face recessionary trend and the GDP growth was minimal or negative in many cases. It is expected that USA may slightly recover from the current situation, whereas Europe will continue to have a neutral or negative growth in its GDP. This situation is likely to put pressure across all product lines, especially textiles, which has moved out from the basic necessities of the society. Your Company's presence was mainly in Europe for export of its products manufactured at Gokak Mills. Hence, exports suffered seriously due to ongoing recession in many European countries and also resulted in losing valuable customers due to ban on exports by the Government of India.
- 6.1.4 In major consuming countries there was a severe resistance for increase in retail prices of textile products and hence retailers were unable to correct their prices to the input cost which has gone up steeply. In spite of this, the take off of textile products across value chain diminished, due to high inflationary trends, thus forcing consumers to use the available resources for other vital daily necessities.
- 6.1.5 The emerging and developing economies are expected to experience lower growth rates, when compared to previous year, which include India and China which are expected to grow at 7% and 8% respectively. The capacity build-up in emerging economies is for a growth rate of 10% and above. The lower growth rates are expected to result into lower demand across the product lines including textiles, where supply may exceed demand, putting pressure on the prices. As a result of these uncertainties in the market, price may be volatile and your company needs to take a measured risk, in both cotton and yarn while booking for future contracts.
- 6.2 Opportunities and Threats:**
- 6.2.1 Cotton as a commodity has given better returns to the farmers when compared to other commodities. As a result, it is expected that the cotton production during the current season will be sufficient to meet the present requirement of the mills. Even though harvesting is delayed, due to late arrival of monsoon by almost a month, it is expected that Indian spinners will get sufficient quantity of quality cotton for 2012 season. Mills do not foresee any problem, in getting manmade fibers from within the country and hence the overall raw material situation will be comfortable. One or two states, may witness a drop in overall cotton production, but, the same will be adequately compensated by other regions.
- 6.2.2 Certain policy decisions taken by the Government of India during the recent months will bring in a feel good factor which may help India, to get more Foreign Direct Investment (FDI) and push the GDP to higher level than the previous year which may result into better business prospects within India where your company has greater exposure.
- 6.2.3 Ambition of the Government of India, to make India as a hub for technical textiles will create an opportunity for the industrial fabric division of your Company to function better as compared to earlier years. Performance of the fabric will see a reasonable growth which will benefit the industry in moving up the value chain. Your Company has recently signed bilateral arrangements with special fiber manufacturers. Efforts will be put by your Company to exploit the business opportunities in technical textiles where your Company has expertise.
- 6.2.4 Severe power shortage in most of the states will remain a biggest threat for the utilization of the plant and equipments. Due to shortage of power, the utilization may drop severely and hence volatility in yarn prices may continue. Even though industry expects the cotton prices to be stable, the whole scenario may change in case China decides to increase their cotton reserves. Hence, it is expected that cotton prices too may have volatility.
- 6.2.5 Availability of trained man power will be an issue. This coupled with the lack of sufficient electric power will pull down the utilization levels. As a result of which, many mills may find it difficult to cover their fixed costs. Availability of labour has never been an issue for your Company so far. But due to various industrial activities coming up in the surrounding areas, the issue of labour shortage may arise, which your management will address by way of rationalization.
- 6.2.6 Ministry of Textiles, Government of India, have appealed to State Electricity Boards to allocate more power to textile industry. But, realistically this may not happen, as there is a pressure from agricultural sector to give more power to agriculture which has suffered, as a result of severe drought in many parts of the country.
- 6.2.7 Your Company, looking into the overall situation and need for additional funds, restructured its assets by transferring the hydro power business to its subsidiary Company; Gokak Power & Energy Limited and brought in valuable funds needed for the business. This action is expected to bring down interest burden of the Company.
- 6.3 Segment-wise, product-wise performance:**
- 6.3.1 During the period under review, major improvement has come from sale of canvas. Similarly, blended yarn has performed better than the corresponding previous year. This is mainly due to the entry of blended mélange yarn in domestic market.
- 6.3.2 Due to closure of units in Tirupur for environmental issues, fabric production moved out of Tirupur. As a result of which, the dyed yarn production and its performance have dropped severely affecting both bottom and top line of the Company.
- 6.3.3 Due to ban on export of cotton yarn, during the period under review, your Company lost its customer base. Many of the customers have not returned back, in spite of offering very attractive prices. Due to this, the export of the company's products is lowest ever in the new millennium. Efforts are being made to regain the customers and also to acquire new customers for the company's products in export market.
- 6.3.4 Garment division of your Company was carrying a very healthy order book. But, when the yarn prices dropped steeply, many of the orders were cancelled by the customers, resulting in accumulation of stock. Many of our existing customers also shifted their base for procurement to Bangladesh and other competing countries, due to which, the garment division performed very badly resulting into higher inventory and lower sales. Company has a clear policy of exports only through proper letter of credit or by covering through ECGC. Many new customers approached the company for placing garment orders under open term credit which had to be refused by the Company. For these customers, even the ECGC was hesitant to give the cover.

## 6.4 Business Outlook:

- 6.4.1 Most of the textile industry today is highly leveraged and looking to this situation, the Government of India announced a restructuring package of Rs. 35000 crores to the textile industry. However, Reserve Bank and other scheduled banks are hesitant to provide restructuring facility as banks may have to make a provision for write offs as per the prevailing banking rules. It is understood that non performing assets from the textile industry have grown very steeply by about 55% compared to previous years. The overall exposure of the banking industry to the textile industry is in the range of 4.5% to 5%. Without providing for restructuring package the revival of closed mills will be very difficult in short term.
- 6.4.2 Cotton situation in the country was very healthy and witnessed a record production of around 350 to 355 lakh bales. However, India witnessed a record export of cotton which was upward of 120 lakh bales during the cotton season, 2012. Structural change in China's policy of building cotton reserves gave rise to artificial demand which kept the cotton prices above the threshold prices. Hitherto, Indian cotton was cheaper by 7% to 8% when compared to global prices, but during the third quarter of the season, Indian cotton was trading at higher prices than the international prices which had come down to as low as 74 cents from the peak of 167 cents for deliverable contracts. Your Company also imported substantial quantity of cotton for coarse counts which was not locally available. Company will continue to focus on importing cotton for coarse counts which is expected to bring economic benefits to the Company.
- 6.4.3 Due to lack of availability of scientific statistical data, it is very difficult to gauge the amount of production drop due to ban in export. Indian cotton production during the current season will be in line with the previous cotton season. The production of cotton during the season will be in the range of 350 lakh bales. Even though major cotton producer, Gujarat, may witness lower cotton production, it is expected that this loss will be compensated by a very good crop in Andhra Pradesh. Barring unforeseen circumstances, the prices of cotton throughout the year may remain stable. However, erosion of confidence in future contracts may force the mills to buy on delivery based contracts, which may increase the requirement of working capital. As Karnataka has once again become a leading producer of cotton, Company will concentrate on buying more cotton locally to save on logistics cost and cycle time.
- 6.4.4 Due to severe recessionary trends which are continuing in the developed countries, unit realization of products may continue to be under pressure when compared to local markets. Irrespective of the price realization in the export market, Indian spinners will have to continue export as they need to fulfill the export obligations made to the Government of India for importing of technology and machineries from abroad and your Company will not be an exception.
- 6.4.5 The power crisis, if not attended immediately, may result into lower utilization across product lines, which apart from bringing periodic volatility in the yarn market, may also lead to situation, where fixed costs may not be covered. Due to prevailing inflationary trends, wages as a percentage of the sales may also steeply go up by way of increase in the dearness allowance. Hence there is an urgent necessity for rationalization by reengineering the entire process. Due to severe drought and failure of monsoon in the catchment areas, the overall hydro

power production in the season has come down by 50%. It is expected that for the balance period of the financial year, captive hydro power generation may suffer for want of water when compared to similar period during previous monsoon year.

- 6.4.6 After onset of monsoon, normally power rates on the exchange drastically come down, but this year power rates from the exchange for open access customers are ruling at higher prices in the southern grid. Further, State Government has also introduced a cross-subsidy which has made the power under open access more expensive.
- 6.4.7 In India, especially the financial year 2012-13 will once again be a most challenging year for the textile industry as it has to structurally adjust to changed business terms and conditions.
- 6.4.8 Entry of multi brand retail outlets may bring additional investments to the country. As a result, there is all possibility of India's GDP going up from the present, which may bring additional demand.

## 6.5 Risks and Concerns

The company has drawn and put in place a comprehensive Risk Management Policy to assess and mitigate various risks. The Company wide awareness of risk management policies and practices is being inculcated to minimize the adverse effect of risks on the operating results and the subject of management of risks are being approached in a planned and co-ordinated manner. The acceptability of cotton as premium product can only enhance value perception of the yarn and knitwear we produce. The Company is accelerating this process by moving up the value chain by well researched and designed products. Company has taken several steps to introduce high performance fibres to move up in the value chain and in-house research in developing these products commercially has been a success.

## 6.6 Internal Control Systems and their adequacy

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

## 6.7 Discussion on financial performance with respect to operational performance

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

## 6.8 Material developments in Human Resources / Industrial Relations front

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

6.8.2 On the Industrial Relations front, a cordial relationship has been maintained with the workmen and their Union and there has not been any loss of man hours in the manufacturing units. Your Company has put in place a series of HRD measures including appraisal of employees, recognition and reward for good work, developing career plans, training etc., In the context of the changing business scenario, professional competence and skills are being nurtured keeping the growth perspective in mind. Your Company has successfully introduced Internal Auditors for ISO 9001 from the workmen category which was a very successful effort put in by the Management. Apart from this, a team of workers have been formed as change agents who are very active in training other co-workers in many aspects of shop floor functioning. These efforts have started yielding intangible results and it is expected that continuation of such efforts will start yielding tangible results too, in future.

### 6.9 Cautionary Statement:

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

### 7. DIRECTORS :

Export-Import Bank of India vide their letter dated 18<sup>th</sup> April, 2012 had appointed Ms.Rima Marphatia, General Manager of the Bank as their Nominee Director on the Board of Directors in place of Mr.Sanjay Sarkar. The Board of Directors places on record, their sincere appreciation of services rendered by Mr.Sanjay Sarkar to the Company

Mr.Ramaotar Goyal, Director resigned on 3<sup>rd</sup> May, 2012. He has rendered valuable services to the Company and the Board over the period of his association with the Company. The Board of Directors places on record their sincere appreciation of the services rendered by Mr.Ramaotar Goyal

Mr.Vasant N. Sanzgiri and Mr.D.G.Prasad were appointed as Additional Directors on the Board of Directors of the Company with effect from 22<sup>nd</sup> May, 2012 and 28<sup>th</sup> May, 2012 respectively and holds office upto the date of this Annual General Meeting of the Company. The Board of Directors commends their appointment as the Directors of the Company.

Mr. Ashok Barat and Mr.R N. Jha Directors are liable to retire by rotation at the ensuing Annual General Meeting and being

eligible offers themselves for re-appointment. The Board of Directors commends their re-appointment.

Particulars of Directors, who are proposed to be reappointed/appointed at the ensuing Annual General Meeting are furnished as a separate statement Annexed to the Explanatory Statement of the Notice and Report on Corporate Governance.

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

### 8. CORPORATE GOVERNANCE :

A detailed report on Corporate Governance is annexed as a part of this Annual Report and Management Discussion and Analysis report forms a part of this report.

A Certificate on compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement issued by Mr.B.S.Srinivas, Practising Company Secretary is annexed to the Report on Corporate Governance.

### 9. DIRECTORS RESPONSIBILITY STATEMENT :

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

- in the preparation of the annual accounts for the financial year from 01.04.2011 to 30.09.2012, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts for the financial year from 01.04.2011 to 30.09.2012 on a 'going concern' basis.

### 10. AUDITORS AND AUDIT REPORT:

Messrs. Kalyaniwalla & Mistry, Chartered Accountants, Statutory Auditors of the Company and Messrs. Murugesh & Company, Chartered Accountants, Branch Auditors of the Company to conduct audit of Forbes Campbell Knitwear Division of the Company hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of next Annual General Meeting and they are eligible for re-appointment. Audit Committee have recommended re-appointment of Auditors. Your Directors commend their reappointment. Observations of the auditors are self explanatory.

### 11. CORPORATE SOCIAL RESPONSIBILITY:

Established in 1887, the Company is one of the oldest and most modern textile plant in India located in a picturesque location adjacent to Ghataprabha river and Gokak water falls, making for a clean and wholesome environment. The Company is the pioneer in the field of hydro power generation in India. In order

to run the company's production facility with hydro power, conserve and preserve the water, Company built a mini dam in the form of a weir at Dhupdal and at Gokak Falls. A unique plantation effort by the company on rocky terrain led to the planting of over 2 million trees.

Since its inception, the company has expanded many folds and we are happy to inform that 4<sup>th</sup> & 5<sup>th</sup> generation of workers continue to have gainful employment with the Company. The Company followed a policy of providing employment to the local population majority of whom belong to backward classes and minority communities.

Apart from providing the employment and nurturing the vegetation, company runs several schools where more than 2800 students study. The uniqueness of the schools which are run by the Company is that, it provides education in Kannada, Marathi, Urdu and English as medium of instruction. The hospital, residential complex and several educational institutions provided by the Company are among the best in the region. The Company has also built and maintaining various places of worship catering to all the major religions. From time to time, Company has spent millions of rupees to upgrade the infrastructure.

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

**12. COST AUDITORS :**

The Central Government approved the appointment of Messrs. A G Anikhindi & Co., Cost Accountants, 1730, Rajarampuri, 6<sup>th</sup> Lane, Kolhapur-416008 Maharashtra State as Cost Auditors of the Company for the financial year 2011-12 covering 18 months period from 01.04.2011 to 30.09.2012.

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

**13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are set out in the Annexure to this Report.

**14. PARTICULARS OF EMPLOYEES :**

There are no such particulars to be furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

**15. LISTING OF SHARES :**

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

**16. ACKNOWLEDGEMENT:**

Your Company continues to occupy a place of respect amongst the many stakeholders it is associated with, most of all, our valued customers. The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge the co-operation extended by workmen and its Union. Your Directors thank all other stakeholders including Financial Institutions and suppliers of various goods and services for their valuable and sustained support, encouragement and look forward to receive similar support and encouragement in the years ahead.

For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
*Chairman*

Mumbai  
31<sup>st</sup> October, 2012.

Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage  
Bangalore – 560 076

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

**(A) Conservation of Energy**

Measures taken during the year include the following:-

**(a) ENERGY CONSERVATION MEASURES TAKEN FOR THE YEAR 2011-12:**

1. Rearrangement of Blow Room waste evacuation system of 7 mill which enabled power saving.
2. Auditing of pulleys of Autoconer machines and proper machining in workshop. This has enabled reduction of load on motors of Savio Autoconers.
3. Rearrangement of power capacitors near load centers.
4. Interlocking of continuous operating material transport motors to demand.
5. Overhauling, Lubrication and replacement of old inefficient bearings by new one in all DJ5 Ring frame machines in 2 Mill.
6. Change in Blade angle of Supply air fan of Humidification plant to reduce the load on fan motors.
7. Estimated the quantity of air leakage by Rotameter and accordingly leakage was arrested in all autoconers.
8. Replacement of lower efficiency motor to high efficiency motor.
9. Replaced the ordinary ballast by the electronic choke in tube lights.

**(b) ADDITIONAL INVESTMENT PROPOSALS:**

1. Provision of front stop motion to speed frame machines and enabling stopping pneumafil fan motors to save power.
2. Provision of frequency converter in pneumafil fan of Ring Frame machines.
3. Replacement of lower efficiency motor to high efficiency motor.
4. Re-arrangement of lighting circuit to switch off the lighting.
5. Installation of APFC panels and converting some old manual APFC panels to auto mode.
6. Time optimization of overhead cleaner motors of Ring Frame machines for power saving.
7. Introduction of lower dia suction tubes in Ring Frame machines to enable power saving.
8. Automation of 12 TPH Boiler.

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

1. The Company's operations involve low energy consumption. Efforts to conserve and optimize use of energy through operational methods will continue

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

**(B) Technology Absorption :**

Required details are set out in Form 'B'

**(C) Foreign Exchange earnings and outgo:**

	<b>(Rs. Crores)</b>
<b>(a) Foreign exchange earnings :</b>	
1. Exports	39.72
2. Commission	—
<b>Total</b>	39.72
 <b>(b) Foreign exchange outgo :</b>	
1. Imports calculated on CIF basis – raw material	17.63
2. Imports calculated on CIF basis – stores, spares and tools	2.75
3. Imports calculated on CIF basis – capital goods	—
4. Commission to overseas agents	—
5. Foreign travel	—
6. Royalty	—
7. Interest paid on loans	—
8. Others	—
<b>Total</b>	20.38

**FORM - A**  
(See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

(A) Power and Fuel Consumption :		Current year ended 31-09-2012	Previous year ended 31-03-2011		
<b>1. Electricity</b>					
<b>(a) Purchased</b>					
Unit	‘000 kwh	<b>59,349.21</b>	40,609.05		
Total Amount	Rs.in Lakhs	<b>3,480.09</b>	2151.40		
Rate / unit	Rs.	<b>5.90</b>	5.30		
<b>(b) Own Generation</b>					
Through Diesel Generator Unit	000 kwh	<b>490.79</b>	1,070.96		
Unit/Litre of Diesel oil	kwh	<b>2.56</b>	2.85		
Cost/unit	Rs.	<b>15.42</b>	12.90		
<b>2. Coal (Steam-coal-used in Boilers)</b>					
(a) Quantity	Tonnes	<b>1,939.41</b>	8,798.64		
(b) Total Cost	Rs.in Lakhs	<b>112.56</b>	445.65		
(c) Average rate / tonne	Rs.	<b>5,803.93</b>	5,065.04		
<b>3. Diesel (Used in Generator)</b>					
(a) Quantity	‘000 Litre	<b>72.94</b>	92.84		
(b) Total Cost	Rs.Lakhs	<b>29.62</b>	35.82		
(c) Average rate per kilolitre	Rs.	<b>40,610.00</b>	36,175.83		
<b>4. Diesel (Used in Thermic Fluid Heater)</b>					
(a) Quantity	‘000 Litre	-	3.98		
(b) Total Cost	Rs.Lakhs	-	1.44		
(c) Average rate per kilolitre	Rs.	-	36,176.00		
<b>5. Furnance Oil</b>		Nil	Nil		
<b>6. H.F.O. Power Generation</b>					
Units	‘000 kwh	<b>23.58</b>	2,693.08		
Total Amount	Rs.in Lakhs	<b>3.94</b>	258.75		
Rate / unit	Rs.	<b>16.72</b>	9.61		
<b>7. Others/Internal Generation</b>					
<b>(i) Bagasse/Paddy Husk</b>					
(a) Quantity	Tonnes	<b>12,580.65</b>	6,534.74		
(b) Total Cost	Rs.in Lakhs	<b>431.92</b>	184.82		
(c) Average rate / tonne	Rs.	<b>3,433.20</b>	2,828.26		
<b>(ii) Gas</b>					
(a) Quantity	1000 M <sup>3</sup>	-	-		
(b) Total Cost	Rs.in Lakhs	-	-		
(c) Average rate/M <sup>3</sup>	Rs.	-	-		
<b>(iii) Water (for Hydro-Generating Sets)</b>					
(a) Quantity	Cusec	<b>670,500</b>	542,112		
(b) Total Cost	Rs.in Lakhs	<b>53.24</b>	102.88		
(c) Average rate / cusec	Rs.	<b>7.94</b>	18.98		
<b>(B) Consumption per Unit of production :</b>					
<b>Product : Yarn/Canvas/Terry Towel / Knitted Garments</b>		<b>Standard if any</b>	<b>Current Year</b>	Previous Year	Reasons for variation
<b>Unit of Production :Kg./Pieces</b>					
1. Electricity	Kwh	-	<b>3.91</b>	5.05	#
2. Coal	Kg.	-	<b>0.09</b>	0.40	#
3. Diesel	Ltrs.	-	<b>0.16</b>	0.13	#
4. Diesel for Thermic Fluid	Ltrs.	-	-	-	#
5. Furnance Oil	Ltrs.	-	-	0.03	#
6. Bagasee/Paddy Husk	Kg.	-	<b>3.24</b>	2.70	#
7. Gas	M <sup>3</sup>	-	-	-	#
8. Water	Cusec	-	<b>0.030</b>	0.025	#
#	Due to change in composition of alternative Input, Production Pattern, Product-mix and Lower Capacity utilisation				



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**FORM B**  
**(See Rule 2)**

**Form for disclosure of particulars with respect to Technology Absorption**

**(A) Research and Development (R&D) 2011-2012**

- |  |   |                 |   |
|--|---|-----------------|---|
| 1. Specific areas in which R&D carried out by the Company  | : | This includes - |   |
|  |   | a)              | Introduction of new fibres like Carbon Targal, Coolmax, Thermolite - 100% and blends for adding value.  |
| 2. Benefits derived as a result of the above R&D:          |   | a)              | New products developed by R & D have been commercialised.   |
|  |   | b)              | With the introduction of the new products, we have been able to cater to high-end exclusive market, which has resulted in value added products. |
| 3. Future course of action:                                |   | a)              | Special fibres for fire retardant end use.  |
| 4. Expenditure on R & D:                                   |   |                 | (Rs. in Lakhs)  |
| a) Capital   |   |                 | -   |
| b) Recurring   |   |                 | 118.71  |
| c) Total   |   |                 | 118.71  |
| d) Total R & D expenditure as percentage of total turnover |   |                 | <u>0.25%</u>  |

**FORM B**  
(See Rule 2)

**(B) Technology Absorption, Adaptation and Innovation :**

- |   |     |     |
|---|-----|-----|
| 1. Efforts in brief, made towards technology absorption, adaptation and innovation.   | Nil |     |
| 2. Benefits derived as a result of the above.   | Nil |     |
| 3. In case of import of technology (imported during the last 5 years reckoned from the beginning of the financial year) the following information may be furnished. |     |     |
| a) Technology imported.   | }   | Nil |
| b) Year of import.  |     |     |
| c) Has technology been fully absorbed.  |     |     |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.  |     |     |

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**ANNEXURE 'A'**

Annexure forming part of Directors' Report for the year ended 01.04.2011 to 30.09.2012

Note : Position indicated is as at the end of the year i.e. **30<sup>th</sup> September, 2012, unless otherwise indicated**

**REPORT ON CORPORATE GOVERNANCE**

PARTICULARS	COMPLIANCE
<b>1. Brief statement on company's philosophy on code of governance:</b>	The Company's philosophy on the Code of Governance is that the Company should follow contemporary corporate practices as followed by other companies similarly placed and the guiding principle of the Code of Governance of the Company is HARMONY i.e. – (a) Balancing need for transparency with the need to protect the interests of the Company. (b) Balancing the need for empowerment at all levels with the need for accountability and (c) Interaction with all stakeholders including shareholders, employees, lenders and regulatory authorities.
<b>2. Board of Directors :</b>	
a. Composition and Category of Directors i.e. break-up of the Directors into the following :	At the end of the year i.e. 30 <sup>th</sup> September, 2012 See Annexure AA
i. Promoter Directors.	1
ii. Managing/Executive Directors.	1
iii. Non-Executive Director(s).	9 (including 2 included in (i) above)
iv. Independent Non-Executive Directors.	5 (included in (iii) above)
v. Nominee Directors.	1 (included in (iv) above)
vi. Institutional Director in which capacity –Lender or Equity Investor.	Lender (Export Import Bank of India)
	Non-Executive Directors are more than 50% of total Directors. The Chairman is non-executive promoter and the number of Independent Directors are 1/2 of the Board. No Director is related to any other Director on the Board in terms of definition of 'relative' under the Companies Act, 1956.
b. Attendance of each director at the Board of Directors meeting and last Annual General Meeting.	See Annexure AA
c. Mention about other Board of Directors or Board Committee, in which each director is a member or Chairperson.	See Annexure AB
d. Number of Board Meetings held dates on which held.	7 Board Meetings were held on the following dates : –  26.05.2011 09.08.2011 10.11.2011 10.02.2012 07.05.2012 22.05.2012 13.08.2012  The gap between two consecutive Board Meetings was not more than four months.
e. Details of Directors whose re-appointment/ appointment is proposed at the forthcoming Annual General Meeting.	See Annexure AC

### Code of Conduct for Board of Directors and Senior Management :

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the Members of the Senior Management. The Code has also been posted on the Company's website [www.gokakmills.com](http://www.gokakmills.com). All Board members and Senior Management have confirmed compliance with the Code for the financial year from 01.04.2011 to 30.09.2012. The Annual Report contains a declaration to this effect signed by the Executive Director & CEO.

### CEO/General Manager - Finance Certification

As required by the revised Clause 49 of the Listing Agreement, the Certificate from Mr. H.S.Bhaskar, Executive Director & CEO and Mr. Govinda R. Kadekar was placed before the Board of Directors at their meeting held on 31<sup>st</sup> October, 2012.

3. Audit Committee (AC) :			
i. Brief description of terms of reference of Audit Committee.	Terms of reference of the Audit Committee include –		
	<ul style="list-style-type: none"> <li>Review of the Company's financial reporting process, the financial statements and financial/risk management policies.</li> <li>Review of the adequacy of the internal control systems and functioning of the Internal Audit team</li> <li>Discussions with the management and the external auditors, the audit plan for the financial year and a joint post-audit review of the same.</li> </ul>		
ii. Composition, name of members and Chairperson. & iii. attendance during the year / meetings held during his tenure.	<b>Name</b>	<b>No. of AC Meetings held during his tenure</b>	<b>No. of AC Meetings attended by him</b>
	* Mr.R.N.Jha @ Chairman	6	6
	* Mr.Ashok Barat	6	5
	* Mr.Ramaotar Goyal @ \$	4	–
	* Mr.Sanjay Sarkar @ #	4	4
	* Ms.Rima Marphatia @	2	2
	* Mr.D.G.Prasad @	1	–
	* Non-Executive Director @ Non Executive Independent Director # Ceased on 18.04.2012 \$ Ceased on 03.05.2012 All members are financially literate and have Accounting expertise. Mr.K.Ramananda Pai, the Company Secretary, acts as the Secretary of the Committee.		
iv. Number of Audit Committee meetings held- dates on which held	6 Audit Committee meetings were held on the following dates - 26.05.2011    09.08.2011    10.11.2011 10.02.2012    07.05.2012    13.08.2012 The gap between two consecutive Audit Committee Meetings was not more than four months.		
4. Remuneration Committee :			
i. Brief description of terms of reference	The Remuneration Committee is responsible for determining the compensation payable to the Whole-time Director based on industry practice and performance of the individuals.		
ii. Composition, name of members and Chairperson & iii. attendance during the year / meetings held during his tenure.	<b>Name</b>	<b>No. of Meetings held during his tenure</b>	<b>No. of Meetings attended by him</b>
	Mr. Shapoor P.Mistry (Chairman)	1	–
	Mr.Ramaotar Goyal @#	1	–
	Mr.R.N.Jha @	1	1
	Mr.Sanjay Sarkar @ \$	1	1
	Mr.Kaiwan Kalyaniwalla @	1	1

@ Independent Directors # Ceased on 03.05.2012 \$ Ceased on 18.04.2012

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iv. Remuneration Policy	The Remuneration Committee would determine and recommends to the Board the compensation of the Whole-time Director. The Remuneration Committee would make regular appraisal of his performance. The compensation policy and strategy of the Company is to be competitive, by following bench-marking for determining performance and compensation structure. The Company does not have stock options. The other details are as under :				
v. A. Details of remuneration to Whole-time director as per the format listing out the following :	<b>Mr. H.S. Bhaskar</b>				
	<b>Rs.</b>				
(a) Salary and allowance	51,34,332				
(b) Benefits and perquisites	2,64,318				
(c) Bonus / Commission	12,00,000 (paid during the year for the financial year ended 31.03.2010)				
(d) Pension-contribution to PF & Superannuation Fund	6,47,838				
(e) Break-up of fixed components and performance linked incentives with performance criteria	Item (c) is Performance Linked, others are fixed. Performance criteria include level of the profits, reduction of costs, improvement of liquidity, steps taken for growth of business.				
(f) Service Contract	31.7.2010 to 30.7.2013 Subject to retirement policy of the Company.				
(g) Notice Period	Six months				
(h) Severance fees	Nil				
(i) Stock Options details (if any)	Nil				
v. B. Details of remuneration paid to Non Whole-time Directors and number of shares held by them in the Company:	<b>Name</b>	<b>No.of shares</b>	<b>Directors' fees including committee fees Rs.</b>	<b>Commission paid Rs.</b>	<b>Total Rs.</b>
	Mr. Pallonji S. Mistry	Nil	10000	Nil	10000
	Mr. Shapoor P. Mistry	Nil	40000	Nil	40000
	Mr. Ashok Barat	Nil	110000	Nil	110000
	Mr. C. G. Shah	7	60000	Nil	60000
	Mr. Ramaotar Goyal	Nil	Nil	Nil	Nil
	Mr. Pradip N. Kapadia	Nil	70000	Nil	70000
	Mr. R.N.Jha	Nil	140000	Nil	140000
	Mr. Kaiwan Kalyaniwalla	Nil	70000	Nil	70000
	Mr. Sanjay Sarkar *	Nil	90000	Nil	90000
	Ms. Rima Marphatia *	Nil	50000	Nil	50000
	Mr. Vasant Sanzgiri	Nil	20000	Nil	20000
	* paid to Export Import Bank of India				
<b>5. Shareholders Committee:</b>					
i. Name of non-executive director heading the committee.	Mr. Shapoor P. Mistry (Chairman)				
ii. Name and designation of Compliance Officer	Mr. K. Ramananda Pai Company Secretary				
iii. Complaints received from the shareholders	There is no unresolved complaints as on 30 <sup>th</sup> September, 2012.				
<b>6. General Body Meetings:</b>					
i. Location and time where last three Annual General Meetings (AGM) held	3 <sup>rd</sup> AGM held on 25 <sup>th</sup> September 2009 at 2.00 p.m Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001	4 <sup>th</sup> AGM held on 3 <sup>rd</sup> September 2010 at 2.00 p.m. Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001	5 <sup>th</sup> AGM held on 25 <sup>th</sup> August 2011 at 3.00 p.m. Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560001		
Note : This is the 6 <sup>th</sup> AGM of the Company.					

<p>ii. Details of Special Resolutions passed in the previous 3 AGMs</p> <p><b>(1) 3<sup>rd</sup> AGM – 25<sup>th</sup> September, 2009 :</b>            (a) Increase in the remuneration payable to Mr.H.S.Bhaskar, Executive Director &amp; CEO w.e.f. 01.04.2008 for the remaining part of the tenure of his appointment i.e. upto 30.07.2010.</p> <p><b>(2) 4<sup>th</sup> AGM – 03<sup>rd</sup> September, 2010 :</b>            (a) Reappointment of Mr.H.S.Bhaskar, Executive Director &amp; CEO as Wholetime Director for a period of 3 years from 31.07.2010 to 30.07.2013</p> <p><b>(3) 5<sup>th</sup> AGM – 25<sup>th</sup> August, 2011 :</b>            No special resolution passed</p>				
<p>iii. Whether special resolutions were put through postal ballot last year, details of voting pattern.</p>	<p>Yes.</p> <p>A Special Resolution was put through postal ballot on 09.08.2011 relating to alteration of Main Objects of the Memorandum of Association of the Company and the results of the postal ballot were declared on 02.11.2011</p>			
		Number of Postal Ballot Forms	Number of Votes	Percentage to valid Postal Ballot Forms received
	Total Postal Ballot Forms received	452	4833227	
	Less : Invalid Postal Ballot Forms	115	7764	
	Net valid Postal Ballot Forms received	337	4825463	
	Votes in favour of the Resolution	325	4824848	99.98
	Votes against the Resolution	12	615	0.02
iv. Persons who conducted the postal ballot exercise.	Mr.B.S.Srinivas, Practising Company Secretary			
v. Procedure for postal ballot.	Notice dated 09.08.2011 for passing of Special Resolution under Section 17 and all other applicable provisions of the Companies Act, 1956, relating to alteration of Main Objects of the Memorandum of Association of the Company			
<p>vi. Whether any special resolution is proposed to be conducted through postal ballot.</p>	<p>Yes.</p> <p>A Special Resolution was put through postal ballot on 22.05.2012 pursuant to Section 372A of the Companies Act, 1956 with regard to Inter Corporate Loans and Investments to Gokak Power &amp; Energy Ltd. a subsidiary company and the results of the postal ballot were declared on 07.07.2012</p>			
		Number of Postal Ballot Forms	Number of Votes	Percentage to valid Postal Ballot Forms received
	Total Postal Ballot Forms received	317	4808196	
	Less : Invalid Postal Ballot Forms	116	8812	
	Net valid Postal Ballot Forms	201	4799384	
	Votes in favour of the Resolution	191	4798937	99.99
Votes against the Resolution	10	447	0.01	

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iv. Persons who conducted the postal ballot exercise.	Mr. B.S.Srinivas, Practising Company Secretary
v. Procedure for postal ballot.	Notice dated 09.08.2011 for passing of Special Resolution under Section 17 and all other applicable provisions of the Companies Act, 1956, relating to alteration of Main Objects of the Memorandum of Association of the Company
<p><b>7. Disclosures:</b></p> <p>i. Materially significant related party transactions that may have potential conflict with the interests of the Company at large.</p> <p>ii. Details of non-compliance by the company, penalties strictures imposed on the company by the Stock Exchange or SEBI or any authority on any matter related to capital market during the last 3 years.</p> <p>iii. Whistle Blower policy affirmation that no person has been denied access to the Audit Committee.</p> <p>iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.</p>	<p>Materially significant related party transactions are disclosed as a part of the Annual Account as required under the Accounting Standard 18 relating to Related Party Disclosure.</p> <p>The Company has ensured necessary compliance with the requirements of the Stock Exchange, SEBI and other authorities related to capital market and the details of non-compliance and penalties are not applicable.</p> <p>No person has been denied access to the Audit Committee.</p> <p>The Company has complied with all mandatory requirements. The Company will adopt any or all non-mandatory requirements as the Board deems necessary and advisable from time to time.</p>
<p><b>8. Means of Communications:</b></p> <p>i. Quarterly results.</p> <p>ii. In which newspapers quarterly results are normally published .</p> <p>iii. Any Website where results or Official news are displayed.</p> <p>&amp;</p> <p>iv.</p> <p>v. The presentation made to institutional investors or to the analysts.</p> <p>vi. Whether Management Discussion and Analysis is a part of Annual Report or not.</p>	<p>The quarterly results are published in newspapers. Quarterly and Annual results were published in Business Standard, Samyukta Karnataka (Kannada Daily)</p> <p>Results are made available on the Company's website <a href="http://www.gokakmills.com">www.gokakmills.com</a> and also made available to the Bombay Stock Exchange Ltd., in the prescribed form which would enable them to place it on their website i.e. <a href="http://www.bseindia.com">www.bseindia.com</a></p> <p>The Company does not have a practice of making presentation to institutional investors and analysts.</p> <p>Management Discussion and Analysis is a part of Directors Report.</p>
<p><b>9. General Shareholders Information:</b></p> <p>i. AGM – Date, time and venue</p> <p>ii. Financial Year</p> <p>iii. Book Closure Date</p> <p>iv. Dividend Payment date</p> <p>v. Listing on Stock Exchange</p> <p>vi. Stock Code</p> <p>vii. Market Price Data – High/Low during the each month of the Financial Year.</p>	<p>AGM of the Company is scheduled on 29th November, 2012 at 3.00 P.M. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.</p> <p>Financial year of the Company will starts from 1<sup>st</sup> October and ends on 30<sup>th</sup> September each year and the last financial year for the 18 months period 01.04.2011 to 30.09.2012 has ended on 30<sup>th</sup> September, 2012.</p> <p>The Register of Members and the Share Transfer Books of the Company will remain closed from 20th November, 2012 to 29th November, 2012.</p> <p>No dividend is proposed for the financial year 2011-12</p> <p>Shares of the Company are listed on Bombay Stock Exchange Ltd.,(BSE) Mumbai. Stock Code of the Company, allotted by Bombay Stock Exchange Ltd., Mumbai is 532957 and ISIN allotted under the dematerialisation procedure is INE642101014.</p> <p>The shares of the Company were listed on the Bombay Stock Exchange Ltd., and the Market price data i.e. high/low during each month of the financial year for the share of face value of Rs.10 each are as under:</p>

	Month and Year	High Rs.	Low Rs.																														
	April, 2011	76.45	65.05																														
	May, 2011	72.00	62.10																														
	June, 2011	73.20	60.00																														
	July, 2011	69.80	54.10																														
	Aug. 2011	69.00	47.70																														
	Sep., 2011	69.95	49.95																														
	Oct. 2011	72.85	52.30																														
	Nov. 2011	61.90	47.55																														
	Dec. 2011	55.80	42.20																														
	Jan. 2012	55.50	45.00																														
	Feb. 2012	58.20	45.50																														
	March, 2012	53.95	41.25																														
	April, 2012	50.95	36.05																														
	May, 2012	53.00	39.30																														
	June, 2012	47.95	38.55																														
	July, 2012	49.00	41.25																														
	August, 2012	58.00	43.75																														
	September, 2012	54.35	45.60																														
viii. Registrars and Share Transfer Agents and Share Transfer System	<p>(a) Shares of the Company held in physical form can be transferred by lodging Transfer Deeds and Share Certificates with Registrars and Share Transfer Agents, TSR Darashaw Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400011 or TSR Darashaw Ltd., 503, Barton Centre, 5<sup>th</sup> Floor, 84 Mahatma Gandhi Road, Bangalore – 560 001. Alternatively, these can be sent to the Company Secretary, Gokak Textiles Ltd., Registered Office, 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore – 560 025.</p> <p>(b) Shares sent for transfer in physical form are registered and returned within a maximum period of 30 days from the date of receipt of documents, provided, all documents are valid and complete in all respects.</p> <p>The Company has constituted Share Transfer and Shareholders' Grievance Committee of the Board of Directors of the Company.</p> <p>The Shareholders have option of converting their holding in dematerialised form and effecting the transfer in dematerialised mode.</p>																																
ix. Distribution of Share-holding (As on 30.09.2012)	<p>- Distribution by category</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Category</th> <th style="width: 20%;">No. of Shares</th> <th style="width: 20%;">% to paidup capital</th> </tr> </thead> <tbody> <tr> <td>Promoters</td> <td style="text-align: center;">47,80,845</td> <td style="text-align: center;">73.56</td> </tr> <tr> <td>Central/State Government(s)</td> <td style="text-align: center;">55,171</td> <td style="text-align: center;">0.85</td> </tr> <tr> <td>Nationalised Banks</td> <td style="text-align: center;">9,788</td> <td style="text-align: center;">0.15</td> </tr> <tr> <td>Bodies Corporate</td> <td style="text-align: center;">2,86,661</td> <td style="text-align: center;">4.41</td> </tr> <tr> <td>Insurance Companies</td> <td style="text-align: center;">2,96,057</td> <td style="text-align: center;">4.56</td> </tr> <tr> <td>Mutual Funds / UTI</td> <td style="text-align: center;">211</td> <td style="text-align: center;">0.00</td> </tr> <tr> <td>FII's &amp; OBCs</td> <td style="text-align: center;">2,24,750</td> <td style="text-align: center;">3.46</td> </tr> <tr> <td>Public</td> <td style="text-align: center;">8,45,825</td> <td style="text-align: center;">13.01</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>64,99,308</b></td> <td style="text-align: center;"><b>100.00</b></td> </tr> </tbody> </table> <p>- Distribution by size of holding</p>			Category	No. of Shares	% to paidup capital	Promoters	47,80,845	73.56	Central/State Government(s)	55,171	0.85	Nationalised Banks	9,788	0.15	Bodies Corporate	2,86,661	4.41	Insurance Companies	2,96,057	4.56	Mutual Funds / UTI	211	0.00	FII's & OBCs	2,24,750	3.46	Public	8,45,825	13.01	<b>Total</b>	<b>64,99,308</b>	<b>100.00</b>
Category	No. of Shares	% to paidup capital																															
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<b>Total</b>	<b>64,99,308</b>	<b>100.00</b>																															



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	Status of dematerialisation of shares and liquidity as on 30.9.2012			
	Holding	No. of Shareholders	No. of Shares	% to paidup Capital
	1 to 5000	10191	4,96,622	7.64
	5001 to 10000	143	1,06,039	1.63
	10001 to 20000	68	95,415	1.47
	20001 to 30000	19	48,062	0.74
	30001 to 40000	11	38,992	0.60
	40001 to 50000	5	23,161	0.36
	50001 to 100000	10	72,001	1.11
	100001 & above	15	56,19,016	86.46
	<b>Total</b>	10,462	64,99,308	100.00
ixb. Dematerialisation of shares & liquidity (As on 30.9.2012)	Status of dematerialisation of shares and liquidity as on 30.9.2012			
	<b>Details</b>	<b>No. of shares Holders</b>	<b>No. of shares</b>	<b>% to paidup Capital</b>
	National Securities Depository Ltd.	4,371	60,37,852	92.90
	Central Depository Services (India) Ltd.	1,149	1,59,955	2.46
	<b>Total dematerialized</b>	<b>5,520</b>	<b>61,97,807</b>	<b>95.36</b>
Physical	4,942	3,01,501	4.64	
	<b>Total</b>	<b>10,462</b>	<b>64,99,308</b>	<b>100</b>
x. Outstanding GDR/ADR/ Warrants or any Convertible instruments, Conversion date and likely Impact on equity.	The Company has not issued any of these instruments so far.			
xi. Plant locations	<p><u>Mill :</u></p> <p>1. Gokak Falls – 591308 Dist. Belgaum, Karnataka State</p> <p><u>Factory:</u></p> <p>1. Bagalkot Road, Marihal Village, Dist. Belgaum, Karnataka State 591 167. 2. CTS No.10588/1, Behind Ramdev Hotel, Nehru Nagar, Belgaum – 590 010. 3. D-190-B-Phase VI, Focal Point, Ludhiana-141 010. Punjab</p>			
xii. Address for Correspondence	<p>Investors are requested to direct all transfer requests, correspondence, queries to Registrars and Share Transfer Agents at the following address :</p> <p>TSR Darashaw Ltd. Unit: Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, (Near Famous Studio) Mahalaxmi, Mumbai - 400 011. Tel. : 91 22 6656 8484 Fax : 91 22 6656 8494 Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday) e-mail: <a href="mailto:dtambe@tsrdarashaw.com">dtambe@tsrdarashaw.com</a> Website : <a href="http://www.tsrdarashaw.com">www.tsrdarashaw.com</a></p>			

	Investors if they so prefer can send transfer request, correspondence and queries to the Company at the following address.
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	Company Secretary Gokak Textiles Ltd., No.24, 29 <sup>th</sup> Main, BTM Layout II Stage Bangalore – 560 076 Ph. No. 080 - 26685094 Fax : 080 26689604 e-mail: ramanandapai@gokaktextiles.com
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For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
*Chairman*

Mumbai  
31<sup>st</sup> October, 2012

Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage  
Bangalore – 560 076

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### **DECLARATION**

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management for the financial year 01.04.2011 to 30.09.2012.

For GOKAK TEXTILES LIMITED

**H.S.BHASKAR**  
*Executive Director & CEO*

Mumbai  
31<sup>st</sup> October, 2012

Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage  
Bangalore – 560 076.

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**ANNEXURE 'AA'**

Annexure forming part of Directors' Report for the year from 01.04.2011 to 30.09.2012.

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

Sl. No.	Directors during the Year	Category	No. of Board Meetings held during the year	No. of Board Meetings attended	Attendance at the last Annual General Meeting
1.	Mr. Pallonji S. Mistry	Non-Executive Promoter	3	1	No
2.	Mr. Shapoor P. Mistry	Non-Executive Promoter	7	4	Yes
3.	Mr. H. S. Bhaskar	Executive	7	7	Yes
4.	Mr. Ashok Barat	Non-Executive Non Independent	7	6	Yes
5.	Mr. C. G. Shah	Non-Executive Non Independent	7	6	Yes
6.	Mr. Pradip N. Kapadia	Non-Executive Independent	7	7	Yes
7.	Mr. R. N. Jha	Non-Executive Independent	7	7	Yes
8.	Mr. Kaiwan Kalyaniwalla	Non-Executive Independent	7	6	Yes
9.	Mr. Sanjay Sarkar	Non-Executive Independent	4	4	Yes
10.	Ms. Rima Marphatia	Non-Executive Independent	3	3	N.A.
11.	Mr. Vasant Sanzgiri	Non-Executive Non-Independent	2	2	N.A.
12.	Mr. D. G. Prasad	Non-Executive Independent	1	—	N.A.

**ANNEXURE 'AB'**

Members of the other Boards of Directors or Board Committees in which the Director being a Director as at 30<sup>th</sup> September, 2012 is Chairman/ a Member (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956, and also excluding Committee positions other than Audit Committee and Shareholders' Grievance Committee in accordance with Clause 49 I(C)(ii) of the Listing Agreement) is as follows :

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

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

## ANNEXURE 'AC'

### Details of Directors whose Re-Appointment is proposed at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

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

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

Name of the Director	Mr.Ashok Barat	Mr.R.N.Jha
Date of Birth	5 <sup>th</sup> December, 1956	2 <sup>nd</sup> July, 1939
Date of First Appointment	29 <sup>th</sup> November, 2006	30 <sup>th</sup> January, 2009
Qualification	FCA, FCS	B.A. (Hons.)
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	Mr. Ashok Barat is the Chairman of Forbes Technologies Ltd., Nypro Forbes Moulds Pvt. Ltd., and Forbes Finance Ltd., He is the Managing Director of Forbes & Company Ltd. He is also a Director of several Public Limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr. R.N.Jha is a former Executive Director of LIC of India and he is at present a Management Consultant. He is Director of several Public Limited Companies and his expertise includes insurance, fund management, corporate planning restructuring of projects and real estate.
List of Public Limited Companies in which Directorship held as on 30 <sup>th</sup> September, 2012	<u>PUBLIC COMPANIES</u> 1. Forbes & Company Ltd. 2. Forbes Technosys Ltd., 3. Forbes Campbell Finance Ltd., 4. Nypro Forbes Moulds Ltd., 5. Nypro Forbes Products Ltd., 6. Forbes Bumi Armada Ltd., 7. Forbes Bumi Armada Offshore Ltd. 8. SCI Forbes Ltd.,	<u>PUBLIC COMPANIES</u> 1. Forbes & Company Ltd., 2. Next Gen Publishing Ltd., 3. S.Kumars Online Ltd., 4. Vasundhara Hospitality Ltd.
Member of the Board Committees	1. <u>Audit Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd., (c) SCI Forbes Ltd., 2. <u>Share Transfer &amp; Shareholders Grievance Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd.,	1. <u>Audit Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd., (c) S Kumars Online Ltd., (d) Next Gen. Publishing Ltd. 2. <u>Remuneration Committee</u> (a) Forbes & Company Ltd., (b) Gokak Textiles Ltd., 3. <u>Share Transfer &amp; Shareholders Grievance Committee</u> (a) Forbes & Company Ltd.,
No. of shares held	Nil	Nil

Mumbai  
31<sup>st</sup> October, 2012.

Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage,  
Bangalore – 560 076.

For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
*Chairman*

**Annual Report  
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**ANNEXURE 'AC'**

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

Name of the Director	Mr.Vasant N.Sanzgiri	Mr.D.G. Prasad
Date of Birth	12 <sup>th</sup> September, 1960	30 <sup>th</sup> June, 1948
Date of First Appointment	22 <sup>nd</sup> May, 2012	28 <sup>th</sup> May, 2012
Qualification	B' Sc, M.B.A.	FCA
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	Mr.Vasant N. Sanzgiri is presently working as Group Head of Human Resources, Shapoorji Pallonji Group, Mumbai. He has wide and varied experience of 25 years in different industries like Taj Group of Hotels, Cyanamid India Ltd., Modi Xerox India Ltd., DCW Home Products, Owen Corning India Ltd., and ICICI Prudential AMC Ltd., development.	Mr.D.G.Prasad is a Chartered Accountant and he is Director of several Public Limited Companies. He has wide and varied experience in commercial banking, project finance, international finance, corporate strategies, loan syndication, treasury management etc.,
List of Public Limited Companies in which Directorship held as on 31 <sup>st</sup> September, 2012	<u>PUBLIC COMPANIES</u> 1. United Motors (India) Limited	<u>PUBLIC COMPANIES</u> 1. Suven Life Sciences Ltd., 2. Mediaone Global Solutions Entertainment Ltd.,
Member of the Board Committees	Nil	<u>1. Audit Committee</u> (a) Suven Life Science Limited (b) Gokak Textiles Limited
No. of shares held	Nil	Nil

Mumbai  
31<sup>st</sup> October, 2012.  
Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage,  
Bangalore – 560 076.

For and on behalf of the  
Board of Directors  
**SHAPOOR P. MISTRY**  
*Chairman*

**CERTIFICATE FOR COMPLIANCE OF CONDITIONS  
OF CORPORATE GOVERNANCE**

To  
The Members of,  
Gokak Textiles Limited,  
Bangalore.

We have examined the compliance of conditions of Corporate Governance by GOKAK TEXTILES LIMITED (the Company) for the year ended on September 30, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange

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

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

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

Bangalore,  
13<sup>th</sup> October, 2012

**B.S. Srinivas**  
*Company Secretary in wholetime practice*  
Membership No. C P 1224

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

1. We have audited the attached Balance Sheet of **Gokak Textiles Limited** as at September 30, 2012 and the Statement of Profit and Loss and the Cash Flow Statement of the Company for the eighteen months ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) Order (Amendment) Order 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditor's Report has been forwarded to us and has been appropriately dealt with.
  - c) The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2012,
    - ii) in the case of the Statement of Profit and Loss, of the profit for the eighteen months ended on that date, and
    - iii) in the case of Cash Flow Statement, of the cash flows for the eighteen months ended on that date.
5. On the basis of the written representations received from the Directors as on September 30, 2012, and taken on record by the Board of Directors, we report that, none of the Director is disqualified as on September 30, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of  
**Kalyaniwalla & Mistry**  
*Chartered Accountants*  
Firm Regn No. 104607W

Mumbai,  
October 31, 2012.

**Vinayak M Padwal**  
*Partner*  
Membership No. 49639

## ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **Gokak Textiles Limited**

- 1) (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) The Company has a program for physical verification of fixed assets at periodic intervals. As informed to us the fixed assets have been verified by the Company during the year and were informed that no material discrepancies were noticed.
- (iii) The fixed assets disposed off during the year, in our opinion, constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- 2) (i) The Management has conducted physical verification of inventory at reasonable intervals.
- (ii) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iii) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical inventories and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- 3) (a) As informed, the company has not granted any loan, secured/ unsecured to any Companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly the provisions of Para 4 clause (iii) (a) to (d) of the said order are not applicable.
- (b) The Company has taken loans amounting to Rs. 5,300 lac from a company covered in the register maintained under Section 301 of the Companies Act, 1956. In respect of the said loans, the maximum amount outstanding at any time during the year is Rs. 5,300 lac and the year-end balance is Rs. Nil.
- (c) In our opinion and according to the information and explanations given to us, the said loan is interest free and other terms and conditions of the loans taken by the Company, are not prejudicial to the interest of the Company.
- (d) The loan has been paid on demand and there are no specific terms of repayment of principal hence whether the principal has been paid regularly or not cannot be commented upon.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the explanation that many of the items are of a special nature and their prices cannot be compared with alternative quotations, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) During the year under audit, the company has not accepted fixed deposits from the public.
- 7) The Company has an internal audit system, which in our opinion is commensurate with the size of the company the nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company in respect of cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribe accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9) (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, Excise Duty or cess outstanding on account of any dispute other than following:

Name of Statute	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Entry Tax	14,458,194	October 2004 to March 2007	High court of Karnataka Bangalore
Income tax	300,912	2001-02 & 2002-03	CIT (A)
Excise Duty	5,562,848	July 2004 to April 2010	High court of Karnataka Bangalore
Provident Fund	2,810,682	January 1990 to December 2001	Employees Provident Fund Appellate Tribunal
	<b>23,132,636</b>		



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- 10) The Company has no accumulated losses as at the end of the financial period and it has not incurred any cash losses in the current period and in the immediately preceding financial year.
- 11) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- 12) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.
- 13) In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures or investments. Accordingly clause 4 (xiv) of the order is not applicable to the Company.
- 14) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 15) According to the information and explanations given to us and the records examined by us, the Company has applied the term loans for the purpose for which the loans were obtained.
- 16) On the basis on an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long-term investment.
- 17) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 18) The Company did not issue any debentures during the period.
- 19) The Company has not raised any money through a public issue during the period.
- 20) Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period.

For and on behalf of  
**Kalyaniwalla & Mistry**  
*Chartered Accountants*  
Firm Regn No. 104607W

Mumbai,  
October 31, 2012.

**Vinayak M Padwal**  
*Partner*  
Membership No. 49639

**BALANCE SHEET AS AT SEPTEMBER 30, 2012**

	Note	As at September 30 2012 Rupees	As at March 31st, 2011 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's fund</b>			
Share Capital	4	<b>64,993,080</b>	64,993,080
Reserves and Surplus	5	<b>780,670,824</b>	585,850,610
		<b>845,663,904</b>	650,843,690
<b>Non current liabilities</b>			
Long Term Borrowings	6	<b>4 58,763,745</b>	682,949,931
Deferred tax Liabilities (Net)	7	<b>50,522,177</b>	57,171,991
Long Term Provisions	8	<b>18,611,909</b>	15,842,225
		<b>527,897,831</b>	755,964,147
<b>Current liabilities</b>			
Short Term Borrowings	9	<b>708,813,328</b>	1,169,040,881
Trade Payables	10	<b>252,384,587</b>	388,702,746
Other Current Liabilities	11	<b>420,174,339</b>	606,033,691
Short Term Provisions	12	<b>22,945,483</b>	4,533,648
		<b>1,404,317,737</b>	2,168,310,966
<b>TOTAL</b>		<b>2,777,879,472</b>	3,575,118,803
<b>ASSETS</b>			
<b>Non current assets</b>			
<b>Fixed Assets</b>			
Tangible assets	13A	<b>1,236,745,547</b>	1,785,371,350
Intangible assets	13B	<b>12,299,717</b>	-
Capital Work in Progress		<b>12,511,589</b>	10,188,908
		<b>1,261,556,853</b>	1,795,560,258
Non Current Investments	14	<b>249,950,002</b>	50,002
Long Term Loans and Advances	15	<b>194,853,655</b>	183,223,821
		<b>1,706,360,510</b>	1,978,834,081
<b>Current assets</b>			
Inventories	16	<b>707,912,028</b>	1,091,421,380
Trade Receivables	17	<b>195,879,591</b>	399,652,798
Cash And Cash Equivalents	18	<b>20,659,944</b>	15,802,838
Short Term Loans And Advances	19	<b>121,054,876</b>	49,340,599
Other Current Assets	20	<b>26,012,523</b>	40,067,107
		<b>1,071,518,962</b>	1,596,284,722
<b>TOTAL</b>		<b>2,777,879,472</b>	3,575,118,803
Signifiacnt Accounting Policies	3		

The notes are an integral part of the these financial statements

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

*Chairman*

As per our Report attached

H. S. BHASKAR

*Executive Director & CEO*

For and on behalf of

ASHOK BARAT

**Kalyaniwalla & Mistry**

C. G. SHAH

*Chartered Accountants*

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

RIMA MARPHATIA

D G PRASAD

*Directors*

**Vinayak M Padwal**

*Partner*

GOVINDA R. KADEKAR

*General Manager Finance*

Mumbai, 31st October, 2012

K. RAMANANDA PAI

*Company Secretary*

**Annual Report**  
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**PROFIT AND LOSS ACCOUNT FOR THE EIGHTEEN MONTHS ENDED 30TH SEPTEMBER, 2012**

	Note	Eighteen months ended September 30 2012 Rupees	Year ended March 31st, 2011 Rupees
<b>REVENUE</b>			
Revenue from operations (gross)	21	4,813,433,532	3,944,277,392
Less: Excise Duty		<u>13,377,566</u>	<u>1,128,475</u>
Revenue from operations (net)		4,800,055,966	3,943,148,917
Other Income	22	<u>42,156,834</u>	<u>38,778,162</u>
<b>TOTAL REVENUE</b>		<u><b>4,842,212,801</b></u>	<u><b>3,981,927,079</b></u>
<b>EXPENSES</b>			
Cost of Raw Materials and Components Consumed	23	3,087,355,286	2,599,693,242
Purchase of Trading Goods	24	804,789	13,761,756
Change In Inventory of Finished Goods and Work in Progress	25	292,837,473	(301,597,730)
Employee Benefit Expenses	26	603,403,786	473,619,453
Fixed Assets Written Off	34	90,510,493	-
Other Expenses	27	929,718,830	792,843,168
Depreciation	13	204,865,380	135,425,741
Finance Costs	28	<u>385,186,562</u>	<u>249,215,178</u>
<b>TOTAL EXPENSES</b>		<u><b>5,594,682,599</b></u>	<u><b>3,962,960,808</b></u>
<b>(Loss)/Profit before exceptional and extraordinary items and tax</b>		<b>(752,469,798)</b>	18,966,271
Exceptional Items	32	-	73,352,202
<b>(Loss)/Profit before extraordinary items and tax</b>		<b>(752,469,798)</b>	92,318,473
Extraordinary Items	33	<u>940,640,199</u>	<u>92,318,473</u>
<b>Profit before Tax</b>		<b>188,170,401</b>	92,318,473
Tax expense			
Current Tax		21,200,000	-
Minimum Alternate Tax Credit Entitlement		(21,200,000)	-
Deferred tax		<u>(6,649,813)</u>	<u>(1,411,525)</u>
<b>Profit after tax</b>		<u><b>194,820,214</b></u>	<u><b>93,729,998</b></u>
Basic and Diluted Earnings per share (in Rs) before Extra Ordinary Item net of tax	37	(114.75)	14.20
Basic and Diluted Earnings per share (in Rs) after Extra Ordinary Item after tax	37	<b>29.98</b>	14.42
Significant Accounting Policies	3		

The notes are an integral part of the these financial statements

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

*Chairman*

As per our Report attached

H. S. BHASKAR

*Executive Director & CEO*

For and on behalf of

ASHOK BARAT

**Kalyaniwalla & Mistry**

C. G. SHAH

*Chartered Accountants*

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

RIMA MARPHATIA

D G PRASAD

*Directors*

**Vinayak M Padwal**

*Partner*

GOVINDA R. KADEKAR

*General Manager Finance*

Mumbai, 31st October, 2012

K. RAMANANDA PAI

*Company Secretary*

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**CASH FLOW STATEMENT FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**


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	September 30, 2012 Rupees	March 31, 2011 Rupees
<b>A. Cash flow from operating activities:</b>		
Profit before tax	188,170,401	92,318,472
Adjustments for:		
Depreciation	204,865,380	135,425,741
Interest income	(869,907)	(287,158)
Profit on sale of investment	-	(73,352,202)
Reversal of Provision for Diminution in investment	-	(11,305,548)
Interest and financial charges	385,186,562	245,761,967
Profit on Sale of Fixed Assets	(543,711)	(93,866)
Dividend Income	(7,150)	(7,150)
Provision for Doubtful Debts	32,930,968	-
Fixed Assets written off	90,510,493	-
Operating profit before working capital changes and extraordinary items	<u>900,243,036</u>	<u>388,460,256</u>
Extraordinary item: Profit on sale of hydro power business	(940,640,199)	-
Operating (loss)/profit before working capital changes	<u>(40,397,163)</u>	<u>388,460,256</u>
Adjustments for :		
(Increase)/ Decrease in Inventories	383,509,352	(229,041,959)
(Increase)/ Decrease in Trade and other receivables	133,390,195	(130,311,441)
Increase/ (Decrease) in Trade payables and other liabilities	<u>(153,412,800)</u>	<u>184,535,012</u>
Cash generated from operations	<u>323,089,584</u>	<u>213,641,868</u>
Direct Taxes paid	(795,072)	(299,808)
Net cash from operating activities	<u><u>322,294,512</u></u>	<u><u>213,342,060</u></u>
<b>B Cash flow from Investing activities</b>		
(Purchase)/Sale of investments (net)	(249,900,000)	84,658,750
Purchase of fixed assets	(31,161,518)	(47,523,798)
Sale of Fixed Assets	664,009	121,000
Interest received	869,907	204,719
Dividend received	7,150	7,150
Extraordinary item: Sale of hydro power business	1,197,808,950	-
Net cash from investing activities	<u><u>918,288,498</u></u>	<u><u>37,467,821</u></u>
<b>C Cash Flow from financing activities</b>		
Repayment of Borrowings to Banks/Financial Institutions	(850,539,342)	(11,339,621)
Proceeds of Borrowings from Holding Company	530,000,000	-
Repayment of Borrowings to Holding Company	(530,000,000)	-
Interest paid	(385,186,562)	(244,622,704)
Net cash (used in)/from financing activities	<u><u>(1,235,725,904)</u></u>	<u><u>(255,962,325)</u></u>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<u><u>4,857,106</u></u>	<u><u>(5,152,444)</u></u>
Cash and Cash equivalents at the beginning of the period/year	15,802,838	20,955,282
<b>Cash and Cash equivalents at the end of the period/year</b>	<b>20,659,944</b>	<b>15,802,838</b>

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**CASH FLOW STATEMENT FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

	September 30, 2012 Rupees	March 31, 2011 Rupees
<b>D. COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	1,977,704	579,542
Balances with banks:		
In current accounts	17,573,051	14,114,107
In deposit accounts	1,109,189	1,109,189
	<b>20,659,944</b>	<b>15,802,838</b>

**Notes:**

- 1 Figures in brackets indicate cash outflow.
- 2 Previous year's figures have been rearranged / regrouped wherever necessary.
- 3 To finance the working capital requirements the Company's bankers have sanctioned a total fund based limit of Rs. 9,351 Lac. Out of this limits utilised as on September 30, 2012 is Rs. 4,832 Lac.

As per our Report attached

For and on behalf of

**Kalyaniwalla & Mistry**

*Chartered Accountants*

**Vinayak M Padwal**

*Partner*

Mumbai, 31st October, 2012

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

*Chairman*

H. S. BHASKAR

*Executive Director & CEO*

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

RIMA MARPHATIA

D G PRASAD

} *Directors*

GOVINDA R. KADEKAR

*General Manager Finance*

K. RAMANANDA PAI

*Company Secretary*

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**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**


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**1 Corporate Information**

The Company was incorporated under the Companies Act, 1956 under the name of ANS Textiles (Bangalore) Limited on March 27, 2006. The name was changed to Gokak Textiles Limited, with effect from 23rd January 2007. As per the scheme of arrangement under the Companies Act, 1956 the Textile Division of erstwhile Forbes Gokak Limited (now known as Forbes & Company Limited) was transferred to Gokak Textiles Limited with effect from April 1, 2007. The company is in the business of textile, manufacturing cotton yarn, blended yarn, industrial fabrics, terry towels, t shirts, polos, undergarments, sweaters, etc.

**2 Preparation**

- i. The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.
- ii. With effect from current financial year the Company has changed its accounting year from year ended March 31 to year ended September 30 which has been approved by ROC vide its order dated 12th April 2012. Accordingly these financial statements are prepared for a period of 18 months from April 01, 2011 to September 30, 2012. Hence the figures for the current accounting period are not comparable with those of the previous accounting year.
- iii. During the period ended September 30, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of the revised Schedule VI does not impact recognition and measurement principles followed for the preparation of financial statements. However, it has significant impact on presentation and disclosure made in the financial statements. The Company has reclassified previous years' figures to conform this years' classification.

**3 Accounting Policies**
**(a) Use of Estimates :**

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

**(b) Fixed Assets :**

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from the exchange rates variances relating to liabilities attributable to fixed assets are expensed out. Cost of Leasehold Land and Building are amortised over the period of lease.

**(c) Depreciation /Amortisation:**

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

**(d) Investments :**

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

**(e) Inventories :**

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

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

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

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### NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

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**(f) Borrowing Cost :**

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

**(g) Revenue Recognition :**

Sales are accounted for on dispatch of goods to the customers, all significant contractual obligations have been satisfied and the collection of the resulting receivable is reasonably expected. Sales are net of sales tax, excise duty and sales returns.

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

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

Interest Income is recognised on time proportion basis.

Revenue in respect of insurance/other claims, interest etc is recognised only when it is reasonably certain that the ultimate collection will be made.

**(h) Operating Expenses :**

Operating expenses and standing charges are charged to revenue on accrual basis.

**(i) Foreign Exchange Transactions :**

Foreign currency transactions are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled are translated at the year end rate and difference in translation and realised gains and losses on foreign exchange transactions are recognised in the Statement of profit and loss.

Gains or losses arising in respect of forward foreign exchange contracts or on cancellation thereof are recognised as income or expense.

**(j) Provisions and Contingent Liability :**

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

**(k) Grants :**

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

**(l) Research and Development Expenditure :**

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

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

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

**(m) Accounting for Taxes on Income :**

Tax expense for the year comprises of current tax and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income Tax Act. Deferred Tax Assets and Liabilities are measured using tax rates and tax laws that have been enacted / substantively enacted as on the balance sheet date. Provision for deferred tax is made for all temporary timing difference arising between the taxable income and accounting income at currently enacted tax rates. Deferred tax assets, other than un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets on un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Assets/Liabilities are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

Minimum Alternative Tax (MAT) credit is recognized 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. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

Accountants of India on Accounting for Credit Available in respect of MAT under the Income Tax Act, 1961, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

**(n) Earnings per Share :**

The Company reports basic and diluted earnings per equity share in accordance with AS 20, Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

**(o) Impairment :**

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

**(p) Employee Benefits :**

Short-term Employee benefits:

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

Defined Contribution Plans:

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

Defined Benefit Plans:

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

Other long term benefits:

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

**4 Share Capital**

Particulars	September 30, 2012		March 31, 2011	
	Nos.	₹	Nos.	₹
<b>Authorised:</b>				
Equity shares of ₹10/- each	7,000,000	70,000,000	7,000,000	70,000,000
<b>Issued, Subscribed &amp; paid up</b>				
Equity shares of ₹10/- each fully paid	6,499,308	64,993,080	6,499,308	64,993,080
<b>Total</b>	<b>6,499,308</b>	<b>64,993,080</b>	<b>6,499,308</b>	<b>64,993,080</b>

**(A) Reconciliation of equity shares outstanding at the beginning and end of the reporting year**

Particulars	September 30, 2012		March 31, 2011	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	6,499,308	64,993,080	6,499,308	64,993,080
Add : Shares issued during the year	—	—	—	—
Less : Shares outstanding at the end of the year	—	—	—	—

**(B) Terms/rights attached to equity shares**

The company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share.

During the eighteen months ended 30<sup>th</sup> September 2012, the amount of per share dividend recognized as distributions to equity shareholders is NIL (March 31, 2011: NIL).



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**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**(C) Details of shares held by shareholders holding 5% of the aggregate shares in the Company**

Name of the Shareholder	September 30, 2012		March 31, 2011	
	No.	%	No.	%
Shapoorji Pallonji & Company Ltd. (Holding Company)	4,780,845	73.56	4,780,845	73.56

**(D) Buyback of Shares, Bonus Shares, ESOP and Shares issued for consideration other than cash**

The company has not bought back any shares neither has it issued any bonus shares and shares under ESOP in the past five years.

In the FY 2007 08; the company issued 6,449,308 shares to the shareholders of Forbes Gokak Limited pursuant to the Scheme of Demerger for consideration other than cash.

**5 Reserves & Surplus**

	September 30, 2012 ₹	March 31, 2011 ₹
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	(130,181,076)	(223,911,073)
(+) Net profit for the period/year	194,820,214	93,729,997
Closing Balance	64,639,138	(130,181,076)
<b>General Reserve</b>	716,031,686	716,031,686
<b>Total</b>	780,670,824	585,850,610

**6 Long Term borrowings**

	September 30, 2012 ₹	March 31, 2011 ₹
<b>Secured</b>		
Term Loans from Banks/Financial Institutions	458,763,745	682,949,931
<b>Total</b>	458,763,745	682,949,931

**Terms of Repayment, Rate of Interest and Nature of Security of Long Term Borrowings**

Particulars	Amount
1 - 2 Years	169,127,977
2 - 3 Years	116,774,768
3 - 4 years	86,512,049
Beyond 4 Years	86,348,951
<b>Total</b>	<b>458,763,745</b>

The above borrowings carry effective interest rates ranging from 8% p.a. to 10.75 % p.a.

Borrowings amounting to Rs.125,508,284 are secured by exclusive charge of hypothecation of movable/immovable fixed assets acquired/ to be acquired.

Borrowings amounting to Rs.333,255,461 are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired/ to be acquired.

**7 Deferred Tax Liability**

	September 30, 2012 ₹	March 31, 2011 ₹
<b>Deferred Tax Liability</b>		
Depreciation	183,679,343	229,853,766
<b>Deferred Tax Asset</b>		
Unabsorbed Depreciation	88,270,226	139,335,546
Provision For Gratuity	37,419,730	1,409,549
Provision For Leave Encashment	5,198,403	5,201,403
Provision For Doubtful debts	2,268,807	26,735,277
	50,522,177	57,171,991

For the year ended September 30, 2012, in compliance with the Accounting Standard 22 the deferred tax asset on post demerger unabsorbed depreciation has been recognised to the extent of deferred tax liability on account of depreciation

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**8 Long Term Provisions**

	September 30, 2012	March 31, 2011
	₹	₹
Provision For Gratuity	6,695,713	4,151,677
Provision For Leave Encashment	11,916,196	11,690,548
<b>Total</b>	<b>18,611,909</b>	<b>15,842,225</b>

**9 Short Term Borrowings**

	September 30, 2012	March 31, 2011
	₹	₹
From Banks:		
Working Capital Loan (Secured)	512,078,199	1,017,819,933
Bills Discounted (Unsecured)	196,735,129	151,220,948
<b>Total</b>	<b>708,813,328</b>	<b>1,169,040,881</b>

Working Capital Loan is secured against hypothecation of all stocks including raw materials, work in progress, finished goods, stores and book debts.

**10 Trade Payables**

	September 30, 2012	March 31, 2011
	₹	₹
Due to Micro Small and Medium Scale Enterprises (Refer Note 31)	-	-
Due to Others (Refer Note 45)	252,384,587	388,702,746
<b>Total</b>	<b>252,384,587</b>	<b>388,702,746</b>

**11 Other Current Liabilities**

	September 30, 2012	March 31, 2011
	₹	₹
Current Maturities of Long Term Borrowings	207,198,800	373,324,403
Advances from Customers	18,737,355	81,971,830
Deposits	12,205,195	13,105,960
Sales Tax Payable	3,702,770	6,848,662
Other Payables	169,621,666	121,485,580
Interest accrued but not due	8,708,552	9,297,255
<b>Total</b>	<b>420,174,339</b>	<b>606,033,691</b>

There are no amounts due for payments to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

**12 Short Term Provisions**

	September 30, 2012	March 31, 2011
	₹	₹
Provision for Taxation (Net of advance payment of taxes; Rs. 2,657,589)	18,542,411	-
Provision For Gratuity	297,067	192,748
Provision For Leave Encashment	4,106,005	4,340,900
<b>Total</b>	<b>22,945,483</b>	<b>4,533,648</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**13. FIXED ASSETS**

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2011	Addition	Deduction	As on 30.09.2012	Upto 01.04.2011	For the Period/Year	On Deductions during the year/period	As on 30.09.2012	Balance as on 30.09.2012	Balance as on 31.03.2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>A. Tangible Assets</b>										
Leasehold Land	150,000	-	-	150,000	150,000	-	-	150,000	-	-
Freehold Land	2,245,450	-	-	2,245,450	-	-	-	-	2,245,450	2,245,450
Factory Building	605,540,238	2,869,343	210,453,010	397,956,571	192,787,833	30,196,247	51,725,639	171,258,441	226,698,130	412,752,404
Residential Building	79,050,892	4,179,477	-	83,230,369	17,472,540	1,333,908	-	18,806,448	64,423,921	61,578,351
Canal Lining	122,884	-	-	122,884	116,740	-	-	116,740	6,144	6,144
Plant and Machinery	3,482,524,462	7,686,864	521,852,336	2,968,358,990	2,208,249,553	166,139,538	320,469,993	2,053,919,098	914,439,892	1,274,259,546
Furniture, Fixtures and Office Equipment	73,482,562	808,348	151,529	74,139,381	42,985,863	4,765,528	32,350	47,719,041	26,420,340	30,509,678
Vehicles	18,210,059	-	1,820,132	16,389,927	14,190,280	1,435,071	1,747,093	13,878,257	2,511,670	4,019,777
<b>Total Tangible Assets</b>	<b>4,261,326,547</b>	<b>15,544,032</b>	<b>734,277,007</b>	<b>3,542,593,572</b>	<b>2,475,952,809</b>	<b>203,870,292</b>	<b>373,975,075</b>	<b>2,305,848,025</b>	<b>1,236,745,547</b>	<b>1,785,371,350</b>
<b>Previous Year</b>	3,997,675,975	264,282,142	633,960	4,261,324,157	2,341,520,265	135,039,363	606,826	2,475,952,801	1,785,371,356	
<b>B. Intangible Assets</b>										
Computer Software	7,276,892	13,294,805	-	20,571,697	7,276,892	995,088	-	8,271,980	12,299,717	-
<b>Total Intangible Assets</b>	<b>7,276,892</b>	<b>13,294,805</b>	<b>-</b>	<b>20,571,697</b>	<b>7,276,892</b>	<b>995,088</b>	<b>-</b>	<b>8,271,980</b>	<b>12,299,717</b>	<b>-</b>
<b>Previous Year</b>	6,890,514	386,378	-	7,276,892	6,890,514	386,378	-	7,276,892		

**C. Additions to Fixed Assets includes interest capitalised under Accounting Standard 16 'Borrowing Cost' which is given as under:**

Particulars	September 30, 2012	March 31 2011
	₹	₹
Interest cost Capitalised	-	4,250,489

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**14 Non Current Investments**

	September 30, 2012	March 31, 2011
	₹	₹
In unquoted equity shares of New India Co Operative Bank <b>Subsidiary</b>	50,002	50,002
In unquoted 24,990,000 equity shares of Rs. 10 each fully paid up of Gokak Power & Energy Limited	249,900,000	–
<b>Total</b>	<b>249,950,002</b>	<b>50,002</b>

**15 Long Term Loans and Advances**

	September 30, 2012	March 31, 2011
	₹	₹
Unsecured, considered good		
Advances Recoverable in cash or Kind for value to be received	3,211,398	1,851,594
Balances with Excise Authorities	94,151,723	97,598,403
Balances with Sales Tax Authorities	75,322,631	57,314,473
Deposits	22,167,903	24,596,834
Advance Tax	–	1,862,517
<b>Total</b>	<b>194,853,655</b>	<b>183,223,821</b>

**16 Inventories**

	September 30, 2012	March 31, 2011
	₹	₹
Raw materials	153,706,061	230,811,082
Work in Progress	151,766,862	168,508,250
Finished goods	356,294,347	632,390,432
Stores and Spares including Fuel	45,064,582	57,694,776
Packing Material	1,080,176	2,016,840
<b>Total</b>	<b>707,912,028</b>	<b>1,091,421,380</b>

**17 Trade Receivables (Refer Note 45)**

	September 30, 2012	March 31, 2011
	₹	₹
<b>Outstanding for a period exceeding six months</b>		
Considered good	21,303,088	48,859,856
Considered doubtful	115,332,809	82,401,841
	136,635,897	131,261,697
<b>Other Debts</b>		
Considered good	174,576,503	350,792,942
Less: Provision for doubtful debts	115,332,809	82,401,841
<b>Total</b>	<b>195,879,591</b>	<b>399,652,798</b>

**18 Cash and Bank Balances**

	September 30, 2012	March 31, 2011
	₹	₹
Cash on Hand	1,977,704	579,542
Balances with banks		
In current accounts	17,573,051	14,114,107
In deposit accounts	1,109,189	1,109,189
<b>Total</b>	<b>20,659,944</b>	<b>15,802,838</b>

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### NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

#### 19 Short term Loans and advances

	September 30, 2012	March 31, 2011
	₹	₹
Unsecured, considered good		
Advances Recoverable in cash or Kind for value to be received	31,860,581	20,346,210
Prepaid Expenses	11,164,872	13,149,841
Advances to Suppliers	40,237,955	13,524,393
Minimum Alternate Tax Credit Entitlement	21,200,000	—
Other Receivables	16,591,469	2,320,155
<b>Total</b>	<b>121,054,876</b>	<b>49,340,599</b>

#### 20 Other Current Assets

	September 30, 2012	March 31, 2011
	₹	₹
Interest Subsidy Receivable	13,512,523	40,067,107
Fixed assets held for sale	12,500,000	—
<b>Total</b>	<b>26,012,523</b>	<b>40,067,107</b>

#### 21 Revenue from Operations

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
Sale of		
Finished Goods	4,716,867,140	3,890,498,099
Trading Goods	896,797	16,521,802
Processing Income	88,606,631	30,680,151
Other Sales	7,062,964	6,577,340
	4,813,433,532	3,944,277,392
Less: Excise Duty	13,377,566	1,128,475
<b>Total</b>	<b>4,800,055,966</b>	<b>3,943,148,917</b>

#### Details of Finished Goods Sold

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
Grey Yarn	3,202,385,242	2,360,823,047
Blended Yarn	197,719,588	104,865,878
Dyed Yarn	712,808,320	893,297,120
Canvass	332,224,546	195,056,253
Apparels	261,646,075	329,597,081
Others	10,083,370	6,858,720
<b>Total</b>	<b>4,716,867,140</b>	<b>3,890,498,099</b>

#### Details of Trading Goods Sold

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
Trading Cotton	896,797	16,521,802
<b>Total</b>	<b>896,797</b>	<b>16,521,802</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**
**22 Other Income**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Interest Income	869,907	452,624
Export Benefits	15,145,382	13,332,865
Miscellaneous Income	25,597,834	24,527,677
Exchange Gain (Net)	-	371,130
Profit on Sale of Fixed Assets (Net)	543,711	93,866
<b>Total</b>	<b>42,156,834</b>	<b>38,778,162</b>

**23 Cost of Raw Materials Consumed**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Opening Stock of Raw Material	230,811,082	301,819,827
Add : Purchases	3,010,250,265	2,528,684,497
	3,241,061,347	2,830,504,324
Less : Closing Stock of Raw Material	153,706,061	230,811,082
<b>Total</b>	<b>3,087,355,286</b>	<b>2,599,693,242</b>

**Details of Raw Material Consumed**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Cotton	2,663,272,312	2,259,681,001
Staple Fibre	160,425,921	73,107,593
Bought Waste	112,164,944	48,173,419
Yarn	69,154,970	109,453,774
Others	82,337,139	109,277,455
<b>Total</b>	<b>3,087,355,286</b>	<b>2,599,693,242</b>

**24 Purchase of Trading Goods**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Trading Cotton	804,789	13,761,756
<b>Total</b>	<b>804,789</b>	<b>13,761,756</b>

**25 Change In Inventory of Finished Goods and Work in Progress**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Closing Stocks:		
Finished goods	356,294,347	632,390,432
Work in Progress	151,766,862	168,508,250
	508,061,209	800,898,682
Opening Stocks:		
Finished goods	632,390,432	366,487,971
Work in Progress	168,508,250	132,812,981
<b>Total</b>	<b>292,837,473</b>	<b>(301,597,730)</b>

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**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**Details of Inventory**

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
<b>Finished Goods</b>		
Grey Yarn	183,528,215	392,925,693
PC Yarn	6,476,793	19,218,564
Dyed Yarn	16,546,101	18,814,235
Canvas	60,169,054	62,848,595
Apparels	82,543,999	128,444,908
Terry Towel	6,904,760	9,582,357
Others	125,425	556,080
	<b>356,294,347</b>	<b>632,390,432</b>
<b>Work in Progress</b>		
Cotton Yarn	78,945,646	74,855,147
Loose Grey Cloth & Fabric	7,134,584	5,075,522
Apparels	65,686,632	88,577,581
	<b>151,766,862</b>	<b>168,508,250</b>

**26 Employee Benefit Expense**

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
Salaries, Wages, Bonus and Exgratia	475,383,034	371,728,260
Contribution to Provident & Other Funds	73,890,216	57,576,530
Workmen and Staff Welfare Expenses	54,130,536	44,314,663
<b>Total</b>	<b>603,403,786</b>	<b>473,619,453</b>

**27 Other Expenses**

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
Consumption of Stores & Spares	20,093,309	30,561,782
Consumption of Packing material	86,275,852	84,273,936
Power and Fuel	417,208,366	332,697,575
Processing Charges	5,319,170	20,261,991
Repairs & Maintenance		
Buildings	5,019,619	4,544,159
Plant & Machinery	61,436,663	44,660,421
Others	38,937,180	30,201,314
	<b>105,393,462</b>	<b>79,405,894</b>
Rent	18,515,616	12,647,650
Rates and Taxes	11,673,407	6,422,055
Insurance	11,933,381	7,185,563
Legal and Profession Fees	18,554,307	13,537,394
Hank Yarn Obligation	4,947,991	14,019,022
Printing & Stationery	3,040,349	3,696,591
Postage, Telegram and Courier Charges	5,996,956	4,930,145
Freight & Forwarding	57,646,635	67,761,961
Travelling and Conveyance	10,325,376	11,809,391
Commission and Discount	51,126,392	42,066,714
Marketing and Selling	10,342,862	15,975,958
Provisions for Doubtful debts	32,930,968	11,715,642
Excise Duty Paid	3,320,403	-
Directors' Meeting Fees	701,236	450,000
Exchange Loss (Net)	11,876,063	-
Miscellaneous Expenses	42,496,730	33,423,905
<b>Total</b>	<b>929,718,830</b>	<b>792,843,168</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**28 Finance Cost**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Interest on Term Loan	<b>103,205,694</b>	87,663,268
Others	<b>263,700,204</b>	126,063,181
Other Borrowing Cost	<b>14,012,990</b>	32,339,336
Exchange Loss on foreign currency borrowings	<b>4,267,674</b>	3,149,394
<b>Total</b>	<b>385,186,562</b>	249,215,178

**29 Contingent liabilities :**

Contingent liabilities not provided in respect of :

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
a) Bills Discounted	<b>26,509,850</b>	39,154,395
b) Guarantees issued by bank	<b>21,972,573</b>	405,100
Corporate Guarantee to Other	-	129,472
c) Taxes in dispute :		
Entry Tax/Special Entry tax	<b>14,458,194</b>	14,458,194
Income tax matters	<b>300,912</b>	300,912
Excise Demands	<b>5,562,848</b>	116,916,657
Provident Fund	<b>2,810,682</b>	-
d) Labour Matters in Dispute	<b>4,986,272</b>	1,388,148
e) Bonds given by Company in favour of Customs Authorities	<b>478,320,557</b>	438,121,857
f) Other Demands Contested by the Company		
Creditors Claim	<b>71,471</b>	71,471
Electricity Duty	<b>955,893</b>	955,893
	<b>555,949,252</b>	611,902,099

**30** Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 5,077,837 (P.Y 4,302,584).

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

**32** During the financial year 2010 - 11 the company has sold its investment in equity shares of P.T. Gokak Indonesia, where it held 22% stake, to Shapoorji Pallonji & Company Limited (the Holding Company) for an amount of US\$ 1,801,250 equivalent to Rs. 84,658,750 resulting in to profit of Rs. 73,352,202.

**33** Pursuant to approval obtained from shareholders under section 293 (1) (a) of Companies Act 1956, the company, on September 27, 2012 has sold its hydro power business to its subsidiary company Gokak Power and Energy Limited as a slump sale for a consideration of Rs. 120 crores. The business sold includes land & building at written down value of Rs. 15.76 crores and power generation transmission and distribution assets including technical know how and licenses at written down value of Rs. 9.95 crores. The profit on said slump sale of hydro power business to GPEL amounting to Rs. 94.06 crores is disclosed as extra ordinary item.

**34** During the current accounting period the company has written off fixed assets amounting to Rs. 90,510,493 mainly pertaining to spinning machines, speed frames, humidification plant, HFO plant and weaving machines. The company has scrapped these assets as they are technologically obsolete and in physically damaged condition.



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**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**35 Gratuity**

	September 30, 2012	March 31, 2011
	₹	₹
<b>a) Change in Present Value of Obligation</b>		
Present value of the obligation at the beginning of the year	131,205,773	119,135,586
Benefits earned during the year	15,510,736	9,530,297
Current Service Cost	9,538,487	8,405,857
Interest Cost	379,152	289,346
Past Service Cost - Vested Benefit	-	-
Actuarial (Gain) / Loss on Obligation	651,024	4,239,636
Benefits Paid	(18,824,525)	(11,917,017)
Present value of the obligation at the end of the year	138,460,647	129,683,705
<b>b) Change in Plan Assets</b>		
Fair value of Plan Assets at the beginning of the year	125,330,400	114,384,440
Expected return on Plan Assets	15,039,648	9,150,755
Actuarial Gain / (Loss) on Plan Assets	665,426	671,868
Contributions by Plan Participants	9,298,243	(11,917,017)
Benefits Paid	(18,865,850)	1,782,505
Fair value of Plan Assets at the end of the year	131,467,867	114,072,551
<b>c) Amounts Recognised in the Balance Sheet</b>		
Present value of Obligation at the end of the year	138,460,647	129,683,705
Fair value of Plan Assets at the end of the year	131,467,867	114,072,551
Net Obligation at the end of the year	6,992,780	15,611,154
<b>d) Amounts Recognised in the Statement of Profit &amp; Loss</b>		
Current Service Cost	9,538,487	8,405,857
Interest cost on Obligation	15,889,888	9,819,643
Expected return on Plan Assets	(15,039,648)	(9,150,755)
Net Actuarial (Gain) / Loss recognised in the year	(14,402)	2,457,131
Past Service Cost - Vested Benefit recognised in the year	-	-
Expenses recognized in Profit & Loss Account	10,374,325	11,531,876
<b>e) Actual return on Plan Assets</b>		
Expected return on Plan Assets	15,039,648	9,150,755
Actuarial Gain / (Loss) on Plan Assets	665,426	1,782,505
Actual return on Plan Assets	15,705,074	10,933,260
<b>f) Actuarial Assumptions</b>		
i) Discount Rate	8.25%	8.25%
ii) Expected Rate of Return on Plan Assets	8.60%	8.00%
iii) Salary Escalation Rate	4.00%	4.00%
iv) Attrition Rate	2.00%	2.00%
v) Mortality	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**36** In the opinion of the Management, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all liabilities is adequate and not in excess of the amount reasonably necessary.

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

37 Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Net (Loss)/Profit before extraordinary items (net of tax) (Rs.)	<b>(745,819,985)</b>	92,318,473
Net Profit after extraordinary items after tax (Rs.)	<b>194,820,214</b>	93,729,998
Weighted average number of Equity Shares outstanding	<b>6,499,308</b>	6,499,308
Nominal Value of Share (Rs.)	<b>10</b>	10
Basic and Diluted Earnings per share before extra ordinary items (net of tax) (in Rs.)	<b>(114.75)</b>	14.20
Basic and Diluted Earnings per share after extraordinary items after tax (in Rs)	<b>29.98</b>	14.42

**38 Break up of details of consumptions of Raw Materials & Stores and Spares**

Particulars	Eighteen months ended September 30, 2012		Year ended March 31, 2011	
	₹	%	₹	%
<b>Raw Material</b>				
Imported	<b>172,014,877</b>	<b>5.58</b>	20,091,021	16.67
Indigenous	<b>2,913,089,484</b>	<b>94.42</b>	2,612,073,388	83.33
<b>Total</b>	<b>3,085,104,361</b>	<b>100</b>	2,632,164,409	100
<b>Stores and Spares</b>				
Imported	<b>30,700,524</b>	<b>28.86</b>	22,800,471	17.74
Indigenous	<b>75,668,637</b>	<b>71.14</b>	92,035,247	82.26
<b>Total</b>	<b>106,369,161</b>	<b>100</b>	114,835,718	100

**39 CIF Value of Imports**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Raw Materials	<b>176,306,245</b>	16,730,391
Stores and Spares	<b>27,530,543</b>	14,436,532
Capital Goods	-	1,532,493
<b>Total</b>	<b>203,836,788</b>	32,699,416

**40 Income in Foreign Currency**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
FOB value of Exports	<b>387,128,660</b>	750,934,482
Freight & Insurance Recoveries	<b>10,089,561</b>	16,826,619
<b>Total</b>	<b>397,218,221</b>	767,761,101

**41 Expenditure in Foreign Currency**

	<b>Eighteen months ended September 30, 2012</b>	Year ended March 31, 2011
	₹	₹
Commission to Overseas Agents	<b>2,415,981</b>	8,356,790
Interest	<b>10,061,290</b>	8,206,648
Others	<b>501,610</b>	2,124,046
<b>Total</b>	<b>12,978,881</b>	18,687,484

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### NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

#### 42 Auditors Remuneration included in legal and professional fees (including service tax)

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
Auditors' Remuneration		
Audit Fees (including branch auditor fee Rs. 450,000; P.Y Rs. 350,000)	2,850,000	1,950,000
Tax Audit Fees	450,000	300,000
Certification	1,200,000	600,000
Out of Pocket Expenses (including branch auditor expenses Rs. 44,461; P.Y Rs. 33,608)	401,511	267,432
Service Tax	540,750	326,640
<b>Total</b>	<b>5,442,261</b>	<b>3,444,072</b>

#### 43 Directors Remuneration

	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
Salary and Allowance	5,134,332	2,886,344
Benefits and Perquisites	264,318	712,756
Bonus/Commission	1,800,000	1,200,000
Pension contribution to provident and superannuation fund	647,838	431,892
<b>Total</b>	<b>7,846,488</b>	<b>5,230,992</b>

#### 44 Related Party Disclosures:

##### A Names of the related parties and description of relationship

##### I) Holding Company

Shapoorji Pallonji & Company Limited

##### II) Subsidiary

Gokak Power & Energy Limited

##### III) Fellow Subsidiaries

Forbes & Company Limited

Eureka Forbes Limited

Forbes Technosys Limited

Forbes Campbell & Co Limited

Volkart Fleming Shipping & Services Limited

Forbes Doris & Naess Maritime Limited

Forvol International Services Limited

Shapoorji Pallonji Infrastructure Capital Company Limited

##### IV) Key Managerial Personnel

Mr. H. S. Bhaskar

Whole Time Director

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**B. Particulars of transaction with Related Parties**

<b>Eighteen Months ended September 30, 2012 (*) Year ended March 31, 2011 (₹)</b>	<b>Holding Company</b>	<b>Subsidiary</b>	<b>Fellow Subsidiaries</b>	<b>Key Managerial Personnel</b>	<b>Total</b>
<b>Nature of Transactions</b>					
<b>Sales</b>	163,532	–	88,493	–	252,025
<i>Previous Year</i>	251,721	–	–	–	251,721
<b>Servies Rendered</b>	–	–	3,243,296	–	3,243,296
<i>Previous Year</i>	–	–	5,140,281	–	5,140,281
<b>Purchase of Electricity</b>	–	413,800	–	–	413,800
<i>Previous Year</i>	–	–	–	–	–
<b>Remuneration</b>	–	–	–	7,846,488	7,846,488
<i>Previous Year</i>	–	–	–	5,230,992	5,230,992
<b>Advances/Loan Taken</b>	530,000,000	–	–	–	530,000,000
<i>Previous Year</i>	–	–	–	–	–
<b>Advances/Loan Repaid</b>	530,000,000	–	–	–	530,000,000
<i>Previous Year</i>	–	–	–	–	–
<b>Investments in Equity Share Capital</b>	–	250,145,000	–	–	250,145,000
<i>Previous Year</i>	–	–	–	–	–
<b>Sale of Investment</b>	–	–	245,000	–	245,000
<i>Previous Year</i>	84,658,750	–	–	–	84,658,750
<b>Sale of Hydro Power (Slump Sale)</b>	–	1,200,000,000	–	–	1,200,000,000
<i>Previous Year</i>	–	–	–	–	–
<b>Expenses/Payments incurred on behalf</b>	–	22,317,252	–	–	22,317,252
<i>Previous Year</i>	–	–	–	–	–
<b>Receivables</b>	740,353	15,919,820	1,174,909	–	17,835,082
<i>Previous Year</i>	576,821	–	89,761	–	666,582
<b>Payables</b>	–	–	2,507,022	1,800,000	4,307,022
<i>Previous Year</i>	–	–	1,577,042	1,200,000	2,777,042

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**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**C. Details of Related Party Transactions**

Nature Of Transaction	Eighteen months ended September 30, 2012	Year ended March 31, 2011
	₹	₹
<b>Sales</b>		
Shapoorji Pallonji & Company Limited	163,532	251,721
Forbes & Company Limited	88,493	-
<b>Services Rendered</b>		
Forvol International Services Limited	383,272	2,110,301
Eureka Forbes Limited	81,599	62,875
Forbes & Company Limited	2,778,425	2,967,105
<b>Purchase of Electricity</b>		
Gokak Power & Energy Limited	413,800	-
<b>Directors Remuneration</b>		
Mr. H.S. Bhaskar	7,846,488	5,230,992
<b>Advances/Loan Taken</b>		
Shapoorji Pallonji & Company Limited	530,000,000	-
<b>Advances/Loan Repaid</b>		
Shapoorji Pallonji & Company Limited	530,000,000	-
<b>Investments in Equity Shares</b>		
Gokak Power & Energy Limited	250,145,000	-
<b>Sale of Investment</b>		
Shapoorji Pallonji & Company Limited	-	84,658,750
Shapoorji Pallonji Infrastructure Capital Company Limited	245,000	-
<b>Sale of Hydro Power</b>		
Gokak Power & Energy Limited	1,200,000,000	-
<b>Expenses/Payments incurred on behalf</b>		
Gokak Power & Energy Limited	22,317,252	-
<b>Receivables</b>		
Shapoorji Pallonji & Company Limited	740,353	576,821
Forbes Technosys Limited	-	89,761
Forbes Cambell & Co Ltd	1,174,909	-
Gokak Power & Energy Limited	15,919,820	-
<b>Payables</b>		
Forbes & Company Limited	1,463,444	510,172
Volkart Fleming Shipping & Services Limited	1,000,000	1,000,000
Eureka Forbes Limited	35,750	38,160
Forvol International Services Limited	7,828	28,710
Mr. H.S. Bhaskar	1,800,000	1,200,000

**D Details in accordance with clause 32 of the listing agreement with the stock exchanges are as under:**

Name of the Company	Nature of Transaction	Balance as at September 30, 2012	Maximum Balance during eighteen months ended September 30, 2012	No of the shares of the Company held by the loanee as at September 30, 2012
Gokak Power and Energy Limited	Advance	15,919,820	15,919,820	Nil

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**45.** Trade Payables and Trade Receivables are subject to independent balance confirmations and reconciliations. Management is of the opinion that no variance of a material sum is expected on such independent confirmations and reconciliations.

**46. Segment information**

The Company operates in one segment only, namely Textiles. Sales in different geographical segments are subject to same risk and reward relationship. Accordingly, in the opinion of the management, the information relating to the segment reporting as set out under Accounting Standard 17 is not applicable.

**47.** Figures of previous year have been regrouped/recast/rearranged wherever necessary, to conform to the current period's presentation.

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FORMING PART OF  
ANNUAL REPORT OF  
GOKAK TEXTILES LIMITED  
FOR THE  
EIGHTEEN MONTHS  
PERIOD ENDED SEPTEMBER 30, 2012**

**Report of the auditors to the Board of Directors of Gokak Textiles Limited on Consolidated Financial Statements for Eighteen Months ended September 30, 2012**

1. We have audited the attached Consolidated Balance Sheet of Gokak Textiles Limited and its subsidiary (the Group) as at September 30, 2012, and also the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the eighteen months then ended, annexed thereto. These consolidated financial statements are the responsibility of Gokak Textiles Limited'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 generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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. We draw attention to **Note 2(ii)** of notes to the financial statements. With effect from April 1, 2011, the Company has changed its accounting year ended March 31 to year ended September 30. Therefore, our opinion relates to the financial statements for the eighteen months ended on September 30, 2012.
4. We did not audit the financial statements of subsidiary Gokak Power and Energy Limited, whose financial statements reflect total assets of Rs 1,337,424,419 as at September 30, 2012, total revenue of Rs 413,800 for the eighteen months ended on that date. These financial statements have been audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.
5. We report that the consolidated financial statements have been prepared by the management of Gokak Textiles Limited in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements
6. Based on our audit and on consideration of the reports of other auditor on separate financial statements, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at September 30, 2012;
  - b) in case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the eighteen months ended on that date; and
  - c) in case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the eighteen months ended on that date

For and on behalf of  
**Kalyaniwalla & Mistry**  
*Chartered Accountants*  
Firm Regn No. 104607W

Mumbai,  
October 31, 2012.

**Vinayak M Padwal**  
*Partner*  
Membership No. 49639



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**2011 - 2012**

**CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2012**

	Note	As at September 30, 2012 ₹
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' funds</b>		
Share Capital	4	64,993,080
Reserves and Surplus	5	(174,676,867)
		<u>(109,683,787)</u>
		225,571,700
<b>Minority Interest</b>		
<b>Non-current liabilities</b>		
Long Term Borrowings	6	1,318,763,745
Deferred tax Liabilities (Net)	7	50,522,177
Long Term Provisions	8	18,611,909
		<u>1,387,897,831</u>
<b>Current liabilities</b>		
Short Term Borrowings	9	708,813,328
Trade Payables	10	252,384,587
Other Current Liabilities	11	421,209,114
Short-Term Provisions	12	22,945,483
		<u>1,405,352,512</u>
<b>TOTAL</b>		<u><u>2,909,138,256</u></u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed Assets		
Tangible assets	13A	1,495,996,220
Intangible assets	13B	12,299,717
Capital Work in Progress		28,845,208
		<u>1,537,141,145</u>
Non Current Investments	14	50,000
Long-Term Loans And Advances	15	194,853,655
		<u>1,732,044,802</u>
<b>Current assets</b>		
Inventories	16	707,912,029
Trade Receivables	17	195,879,592
Cash And Cash Equivalents	18	141,428,885
Short-Term Loans And Advances	19	105,860,425
Other Current Assets	20	26,012,523
		<u>1,177,093,454</u>
<b>TOTAL</b>		<u><u>2,909,138,256</u></u>
Significant Accounting Policies	3	

The notes are an integral part of the these financial statements

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

*Chairman*

As per our Report attached

H. S. BHASKAR

*Executive Director & CEO*

For and on behalf of

**Kalyaniwalla & Mistry**

*Chartered Accountants*

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

RIMA MARPHATIA

D G PRASAD

*Directors*

**Vinayak M Padwal**

*Partner*

GOVINDA R. KADEKAR

*General Manager Finance*

Mumbai, 31st October, 2012

K. RAMANANDA PAI

*Company Secretary*

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

	Note	Eighteen months ended September 30, 2012 ₹
<b>REVENUE</b>		
Revenue from operations (gross)	21	4,813,433,532
Less: Excise Duty		13,377,566
Revenue from operations (net)		4,800,055,966
Other Income	22	42,156,834
<b>TOTAL REVENUE</b>		<b>4,842,212,801</b>
<b>EXPENSES</b>		
Cost of Raw Materials and Components Consumed	23	3,087,355,286
Purchase of Trading Goods	24	804,789
Change In Inventory of Finished Goods and Work in Progress	25	292,837,473
Employee Benefit Expenses	26	603,454,998
Fixed Assets Written Off	34	90,510,493
Other Expenses	27	934,116,957
Depreciation	13	204,974,508
Finance Costs	28	409,863,887
<b>TOTAL EXPENSES</b>		<b>5,623,918,391</b>
<b>Loss before tax</b>		<b>(781,705,590)</b>
Tax expense		
Current Tax		21,200,000
Minimum Alternative Tax Credit Entitlement		(21,200,000)
Deferred tax		(6,649,813)
<b>Loss after tax before minority interest</b>		<b>(775,055,777)</b>
Minority Interest		(14,528,300)
<b>Loss after Tax</b>		<b>(760,527,477)</b>
Basic and Diluted Earnings per share (in Rs)	35	(117.02)
Significant Accounting Policies	3	

The notes are an integral part of the these financial statements

As per our Report attached

For and on behalf of  
**Kalyaniwalla & Mistry**  
Chartered Accountants

**Vinayak M Padwal**  
Partner

Mumbai, 31st October, 2012

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

*Chairman*

H. S. BHASKAR

*Executive Director & CEO*

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

RIMA MARPHATIA

D G PRASAD

} *Directors*

GOVINDA R. KADEKAR

*General Manager Finance*

K. RAMANANDA PAI

*Company Secretary*

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**CONSOLIDATED CASH FLOW STATEMENT FOR THE EIGHTEEN MONTHS ENDED  
SEPTEMBER 30, 2012**

	<b>September 30, 2012</b>
	<b>₹</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Loss before tax	(781,705,590)
Adjustments for:	
Depreciation	204,974,508
Interest income	(869,907)
Profit on sale of investment	-
Reversal of Provision for Diminution in investment	-
Interest and financial charges	409,863,887
Profit on Sale of Fixed Assets	(543,711)
Dividend Income	(7,150)
Provision for Doubtful Debts	32,930,968
Fixed Assets written off	90,510,493
Operating (loss)/profit before working capital changes	(44,846,502)
Adjustments for :	
(Increase)/ Decrease in Inventories	383,509,351
(Increase)/ Decrease in Trade and other receivables	148,584,645
Increase/ (Decrease) in Trade payables and other liabilities	(152,378,025)
Cash generated from operations	334,869,470
Direct Taxes paid	(795,072)
<b>Net cash from operating activities</b>	<b><u>334,074,398</u></b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	(49,686,188)
Sale of Fixed Assets	664,009
Interest received	869,907
Dividend received	7,150
<b>Net cash used in investing activities</b>	<b><u>(48,145,122)</u></b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds of Borrowings from Banks and Financial Institutions	9,460,658
Proceeds of Borrowings from Holding Company	530,000,000
Repayment of Borrowings to Holding Company	(530,000,000)
Proceeds from issue of shares to minority shareholders	240,100,000
Interest paid	(409,863,887)
<b>Net cash used in financing activities</b>	<b><u>(160,303,229)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b><u>125,626,046</u></b>
Cash and Cash equivalents at the beginning of the period	15,802,838
<b>Cash and Cash equivalents at the end of the period</b>	<b>141,428,885</b>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**D. COMPONENTS OF CASH AND CASH EQUIVALENTS**

Cash on Hand	1,978,304
Balances with banks:	
In current accounts	138,341,392
In deposit accounts	1,109,189
	<b>141,428,885</b>

**Notes**

1. Figures in brackets indicate cash outflow.
2. To finance the working capital requirements the Company's bankers have sanctioned a total fund based limit of Rs. 9,351 Lac. Out of this limits utilised as on September 30, 2012 is Rs. 4,832 Lac.

<p>As per our Report attached</p> <p>For and on behalf of</p> <p><b>Kalyaniwalla &amp; Mistry</b> <i>Chartered Accountants</i></p> <p><b>Vinayak M Padwal</b> <i>Partner</i></p> <p>Mumbai, 31st October, 2012</p>	<p style="text-align: center;">For and on behalf of the Board of Directors</p> <p>SHAPOOR P. MISTRY <span style="float: right;"><i>Chairman</i></span></p> <p>H. S. BHASKAR <span style="float: right;"><i>Executive Director &amp; CEO</i></span></p> <p>ASHOK BARAT</p> <p>C. G. SHAH</p> <p>PRADIP N. KAPADIA</p> <p>R. N. JHA</p> <p>KAIWAN KALYANIWALLA</p> <p>RIMA MARPHATIA</p> <p>D G PRASAD</p> <p style="text-align: right; margin-right: 20px;">} <i>Directors</i></p> <p>GOVINDA R. KADEKAR <span style="float: right;"><i>General Manager Finance</i></span></p> <p>K. RAMANANDA PAI <span style="float: right;"><i>Company Secretary</i></span></p>
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## Annual Report

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### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

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#### 1 Corporate Information

The Company was incorporated under the Companies Act, 1956 under the name of ANS Textiles (Bangalore) Limited on March 27, 2006. The name was changed to Gokak Textiles Limited, with effect from 23rd January 2007. As per the scheme of arrangement under the Companies Act, 1956 the Textile Division of erstwhile Forbes Gokak Limited (now known as Forbes & Company Limited) was transferred to Gokak Textiles Limited with effect from April 1, 2007. The company is in the business of textile, manufacturing cotton yarn, blended yarn, industrial fabrics, terry towels, t-shirts, polos, undergarments, sweaters, etc.

Gokak Power and Energy Ltd is a Subsidiary Company in which Gokak Textiles Limited holds 51% stake. The Company is incorporated in India under Companies Act, 1956 in January 2012. The main business of the subsidiary is Generation, Transmission and Distribution (trade) of power/energy.

#### 2 Preparation

- i. The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.
- ii. With effect from current financial year the Company has changed its accounting year from year ended March 31 to year ended September 30 which has been approved by ROC vide its order dated 12th April 2012. Accordingly these financial statements are prepared for a period of 18 months from April 01, 2011 to September 30, 2012. Hence the figures for the current accounting period are not comparable with those of the previous accounting year.
- iii. During the period ended September 30, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of the revised Schedule VI does not impact recognition and measurement principles followed for the preparation of financial statements. However, it has significant impact on presentation and disclosure made in the financial statements. The Company has reclassified previous years figures to conform this years classification.
- iv. The Consolidated financial statements relate to M/s. Gokak Textiles Limited, the holding Company, and its subsidiary Gokak Power and Energy Ltd (collectively referred to as the Group). Gokak Textiles Limited holds 51% stake in the subsidiary Company. The Consolidation of the financial statements of the Company with its subsidiary has been prepared in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements'. The financial statements of the parent and its subsidiary are combined on a line by line basis and intra group balances, intra group transactions and unrealised profits or losses are fully eliminated.

#### 3 Accounting Policies

##### (a) Use of Estimates :

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

##### (b) Fixed Assets :

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from the exchange rates variances relating to liabilities attributable to fixed assets are expensed out. Cost of Leasehold Land and Building are amortised over the period of lease.

##### (c) Depreciation /Amortisation:

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

##### (d) Investments :

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

##### (e) Inventories :

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

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

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

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

**(f) Borrowing Cost :**

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

**(g) Revenue Recognition :**

Sales are accounted for on dispatch of goods to the customers, all significant contractual obligations have been satisfied and the collection of the resulting receivable is reasonably expected. Sales are net of sales tax, excise duty and sales returns.

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

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

Interest Income is recognised on time proportion basis.

Revenue in respect of insurance/other claims, interest etc is recognised only when it is reasonably certain that the ultimate collection will be made.

**(h) Operating Expenses :**

Operating expenses and standing charges are charged to revenue on accrual basis.

**(i) Foreign Exchange Transactions :**

Foreign currency transactions are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled are translated at the year end rate and difference in translation and realised gains and losses on foreign exchange transactions are recognised in the Statement of profit and loss.

Gains or losses arising in respect of forward foreign exchange contracts or on cancellation thereof are recognised as income or expense.

**(j) Provisions and Contingent Liability :**

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

**(k) Grants :**

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

**(l) Research and Development Expenditure :**

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

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

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

**(m) Accounting for Taxes on Income :**

Tax expense for the year comprises of current tax and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income Tax Act. Deferred Tax Assets and Liabilities are measured using tax rates and tax laws that have been enacted / substantively enacted as on the balance sheet date. Provision for deferred tax is made for all temporary timing difference arising between the taxable income and accounting income at currently enacted tax rates. Deferred tax assets, other

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**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

than an absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets on unabsorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Assets/Liabilities are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

Minimum Alternative Tax (MAT) credit is recognized 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. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Credit Available in respect of MAT under the Income Tax Act, 1961, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

**(n) Earnings per Share :**

The Company reports basic and diluted earnings per equity share in accordance with AS 20, Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

**(o) Impairment :**

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

**(p) Employee Benefits :**

Short-term Employee benefits:

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

Defined Contribution Plans:

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

Defined Benefit Plans:

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

Other long term benefits:

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

**4 Share Capital**

Particulars	September 30, 2012		March 31, 2011	
	Nos.	₹	Nos.	₹
<b>Authorised:</b>				
Equity shares of ₹10/-each	7,000,000	70,000,000	7,000,000	70,000,000
<b>Issued, Subscribed &amp; paid up</b>				
Equity shares of ₹10/- each fully paid	6,499,308	64,993,080	6,499,308	64,993,080
<b>Total</b>	<b>6,499,308</b>	<b>64,993,080</b>	<b>6,499,308</b>	<b>64,993,080</b>

**(A) Reconciliation of equity shares outstanding at the beginning and end of the reporting year**

Particulars	September 30, 2012		March 31, 2011	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	6,499,308	64,993,080	6,499,308	64,993,080
Add : Shares issued during the year	—	—	—	—
Less : Shares bought back during the year	—	—	—	—
<b>Shares outstanding at the end of the year</b>	<b>6,499,308</b>	<b>64,993,080</b>	<b>6,499,308</b>	<b>64,993,080</b>

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**
**(B) Terms/rights attached to equity shares**

The company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share. During the eighteen months ended 30, September 2012, the amount of per share dividend recognized as distributions to equity shareholders is NIL (March 31, 2011: NIL).

**(C) Details of shares held by shareholders holding 5% of the aggregate shares in the Company**

Name of the Shareholder	September 30, 2012		March 31, 2011	
	No.	%	No.	%
Shapoorji Pallonji & Company Ltd. (Holding Company)	4,780,845	73.56	4,780,845	73.56

**(D) Buyback of Shares, Bonus Shares, ESOP and Shares issued for consideration other than cash**

The company has not bought back any shares neither has it issued any bonus shares and shares under ESOP in the past five years. In the FY 2007 - 08; the company issued 6,449,308 shares to the shareholders of Forbes Gokak Limited pursuant to the Scheme of Demerger for consideration other than cash.

**5 Reserves & Surplus**

	September 30, 2012 ₹
<b>Deficit in Statement of Profit and Loss</b>	
Opening balance	(130,181,076)
(+) Net Loss for the period	(760,527,477)
Closing Balance	(890,708,553)
<b>General Reserve</b>	716,031,686
<b>Total</b>	<b>(174,676,867)</b>

**6 Long Term borrowings**

	September 30, 2012 ₹
<b>Secured</b>	
Term Loans from Banks/Financial Institutions	1,318,763,745
<b>Total</b>	<b>1,318,763,745</b>

**Terms of Repayment, Rate of Interest and Nature of Security of Long Term Borrowings**

Particulars	Amount
1 - 2 Years	237,927,977
2 - 3 Years	172,674,768
3 - 4 years	151,012,049
Beyond 4 Years	757,148,951
<b>Total</b>	<b>1,318,763,745</b>

The above borrowings carry effective interest rates ranging from 8% p.a. to 10.75 % p.a.

Borrowings amounting to Rs. 125,508,284 are secured by exclusive charge of hypothecation of movable/immovable fixed assets acquired/ to be acquired.

Borrowings amounting to Rs. 1,193,255,461 are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired/ to be acquired.

**7 Deferred Tax Liability**

	September 30, 2012 ₹
<b>Deferred Tax Liability</b>	
Depreciation	183,679,343
<b>Deferred Tax Asset</b>	
Unabsorbed Depreciation	88,270,226
Provision For Gratuity	37,419,730
Provision For Leave Encashment	5,198,403
Provision For Doubtful debts	2,268,807
<b>Total</b>	<b>50,522,177</b>



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**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

For the year ended September 30, 2012, in compliance with the Accounting Standard 22 the deferred tax asset on post demerger unabsorbed depreciation has been recognised to the extent of deferred tax liability on account of depreciation

**8 Long Term Provisions**

	September 30, 2012 ₹
Provision For Gratuity	6,695,713
Provision For Leave Encashment	11,916,196
<b>Total</b>	<b>18,611,909</b>

**9 Short Term Borrowings**

	September 30, 2012 ₹
From Banks:	
Working Capital Loan (Secured)	512,078,199
Bills Discounted (Unsecured)	196,735,129
<b>Total</b>	<b>708,813,328</b>

Working Capital Loan is secured against hypothecation of all stocks including raw materials, work in progress, finished goods, stores and book debts.

**10 Trade Payables**

	September 30, 2012 ₹
Due to Micro Small and Medium Scale Enterprises (Refer Note 31)	-
Due to Others (Refer Note 43)	252,384,587
<b>Total</b>	<b>252,384,587</b>

**11 Other Current Liabilities**

	September 30, 2012 ₹
Current Maturities of Long Term Borrowings	207,198,800
Advances from Customers	18,737,356
Deposits	12,205,195
Sales Tax Payable	3,702,770
Other Payables	169,772,878
Interest accrued but not due	9,592,114
<b>Total</b>	<b>421,209,114</b>

There are no amounts due for payments to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

**12 Short Term Provisions**

	September 30, 2012 ₹
Provision for Taxation (Net of advance payment of taxes; Rs. 2,657,589)	18,542,411
Provision For Gratuity	297,067
Provision For Leave Encashment	4,106,005
<b>Total</b>	<b>22,945,483</b>

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**13. FIXED ASSETS**

Description of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK
	As on 01.04.2011	Addition	Deduction\ Assets W/off	As on 30.09.2012	For the Period/Year	On Deductions during the year/period	As on 30.09.2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>A. Tangible Assets</b>							
Leasehold Land	150,000	-	-	150,000	-	-	-
Freehold Land	2,245,450	-	-	2,245,450	-	-	2,245,450
Factory Building	605,540,238	2,869,343	1,825,875	606,583,706	30,253,519	720,845	384,263,199
Residential Building	79,050,892	4,179,477	-	83,230,369	1,333,908	-	64,423,921
Canal Lining	122,884	-	-	122,884	-	-	6,144
Plant and Machinery	3,482,524,462	9,877,915	260,742,486	3,231,659,891	166,191,357	158,856,712	1,016,075,693
Furniture, Fixtures and Office Equipment	73,482,562	808,348	81,301	74,209,609	4,765,565	11,963	26,470,145
Vehicles	18,210,059	-	1,820,132	16,389,927	1,435,071	1,747,093	2,511,669
<b>Total Tangible Assets</b>	<b>4,261,326,547</b>	<b>17,735,083</b>	<b>264,469,794</b>	<b>4,014,591,836</b>	<b>203,979,420</b>	<b>161,336,613</b>	<b>1,495,996,220</b>
<b>B. Intangible Assets</b>							
Computer Software	7,276,892	13,294,805	-	20,571,697	995,088	-	12,299,717
<b>Total Intangible Assets</b>	<b>7,276,892</b>	<b>13,294,805</b>	<b>-</b>	<b>20,571,697</b>	<b>995,088</b>	<b>-</b>	<b>12,299,717</b>

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### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

#### 14 Non Current Investments

	September 30, 2012
	₹
In unquoted equity shares of New India Co Operative Bank	50,002
<b>Total</b>	<b>50,002</b>

#### 15 Long Term Loans and Advances

	September 30, 2012
	₹
Unsecured, considered good	
Advances Recoverable in cash or Kind for value to be received	3,211,398
Balances with Excise Authorities	94,151,723
Balances with Sales Tax Authorities	75,322,631
Deposits	22,167,903
<b>Total</b>	<b>194,853,655</b>

#### 16 Inventories

	September 30, 2012
	₹
Raw materials	153,706,061
Work in Progress	151,766,862
Finished goods	356,294,347
Stores and Spares including Fuel	45,064,582
Packing Material	1,080,176
<b>Total</b>	<b>707,912,028</b>

#### 17 Trade Receivables (Refer Note 43)

	September 30, 2012
	₹
Outstanding for a period exceeding six months	
Considered good	21,303,088
Considered doubtful	115,332,809
	<b>136,635,897</b>
Other Debts	
Considered good	174,576,504
Less: Provision for doubtful debts	115,332,809
<b>Total</b>	<b>195,879,592</b>

#### 18 Cash and Bank Balances

	September 30, 2012
	₹
Cash on Hand	1,978,304
Balances with banks	
In current accounts	138,341,392
In deposit accounts	1,109,189
<b>Total</b>	<b>141,428,885</b>

#### 19 Short term Loans and advances

	September 30, 2012
	₹
Unsecured, considered good	
Advances Recoverable in cash or Kind for value to be received	31,860,581
Prepaid Expenses	11,890,241
Advances to Suppliers	40,237,955
Minimum Alternate Tax Credit Entitlement	21,200,000
Other Receivables	671,649
<b>Total</b>	<b>105,860,425</b>

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**20 Other Current Assets**

	September 30, 2012 ₹
Interest Subsidy Receivable	13,512,523
Fixed assets held for sale	12,500,000
<b>Total</b>	<b>26,012,523</b>

**21 Revenue from Operations**

	Eighteen months ended September 30, 2012 ₹
Sale of Finished Goods	4,716,867,140
Trading Goods	896,797
Processing Income	88,606,631
Other Sales	7,062,964
	<b>4,813,433,532</b>
<i>Less: Excise Duty</i>	<i>13,377,566</i>
<b>Total</b>	<b>4,800,055,966</b>

**Details of Finished Goods Sold**

	Eighteen months ended September 30, 2012 ₹
Grey Yarn	3,202,385,242
Blended Yarn	197,719,588
Dyed Yarn	712,808,320
Canvass	332,224,546
Apparels	261,646,075
Others	10,083,370
<b>Total</b>	<b>4,716,867,140</b>

**Details of Trading Goods Sold**

	Eighteen months ended September 30, 2012 ₹
Trading Cotton	896,797
<b>Total</b>	<b>896,797</b>

**22 Other Income**

	Eighteen months ended September 30, 2012 ₹
Interest Income	869,907
Export Benefits	15,145,382
Miscellaneous Income	25,597,834
Profit on Sale of Fixed Assets (Net)	543,711
<b>Total</b>	<b>42,156,834</b>

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### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

#### 23 Cost of Raw Materials Consumed

	Eighteen months ended September 30, 2012 ₹
Opening Stock of Raw Material	230,811,082
Add : Purchases	3,010,250,265
	3,241,061,347
Less : Closing Stock of Raw Material	153,706,061
<b>Total</b>	<b>3,087,355,286</b>

#### Details of Raw Material Consumed

	Eighteen months ended September 30, 2012 ₹
Cotton	2,663,272,312
Staple Fibre	160,425,921
Bought Waste	112,164,944
Yarn	69,154,970
Others	82,337,139
<b>Total</b>	<b>3,087,355,286</b>

#### 24 Purchase of Trading Goods

	Eighteen months ended September 30, 2012 ₹
Trading Cotton	804,789
<b>Total</b>	<b>804,789</b>

#### 25 Change In Inventory of Finished Goods and Work in Progress

	Eighteen months ended September 30, 2012 ₹
Closing Stocks:	
Finished goods	356,294,347
Work in Progress	151,766,862
	508,061,209
Opening Stocks:	
Finished goods	632,390,432
Work in Progress	168,508,250
	800,898,682
<b>Total</b>	<b>292,837,473</b>

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**Details of Inventory**

	Eighteen months ended September 30, 2012 ₹
<b>Finished Goods</b>	
Grey Yarn	183,528,215
PC Yarn	6,476,793
Dyed Yarn	16,546,101
Canvas	60,169,054
Apparels	82,543,999
Terry Towel	6,904,760
Others	125,425
	<b>356,294,347</b>
<b>Work in Progress</b>	
Cotton Yarn	78,945,646
Loose Grey Cloth & Fabric	7,134,584
Apparels	65,686,632
	<b>151,766,862</b>

**26 Employee Benefit Expense**

	Eighteen months ended September 30, 2012 ₹
Salaries, Wages, Bonus and Exgratia	475,434,246
Contribution to Provident & Other Funds	73,890,216
Workmen and Staff Welfare Expenses	54,130,536
<b>Total</b>	<b>603,454,998</b>

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### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

#### 27 Other Expenses

	Eighteen months ended September 30, 2012 ₹
Consumption of Stores & Spares	20,093,309
Consumption of Packing material	86,275,852
Power and Fuel	416,794,566
Processing Charges	5,319,170
Repairs & Maintenance	-
Buildings	5,019,619
Plant & Machinery	61,436,663
Others	38,937,180
	105,393,462
Rent	18,515,616
Rates and Taxes	16,251,179
Insurance	11,939,476
Legal and Profession Fees	18,714,307
Hank Yarn Obligation	4,947,991
Printing & Stationery	3,046,282
Postage, Telegram and Courier Charges	5,996,956
Freight & Forwarding	57,646,635
Travelling and Conveyance	10,383,210
Commission and Discount	51,126,392
Marketing and Selling	10,342,862
Provisions for Doubtful debts	32,930,968
Excise Duty Paid	3,320,403
Directors' Meeting Fees	701,236
Exchange Loss (Net)	11,876,063
Miscellaneous Expenses	42,501,023
<b>Total</b>	<b>934,116,957</b>

#### 28 Finance Cost

	Eighteen months ended September 30, 2012 ₹
Interest on Term Loan	<b>103,205,694</b>
Others	<b>263,700,204</b>
Other Borrowing Cost	<b>38,690,315</b>
Exchange Loss on foreign currency borrowings	<b>4,267,674</b>
<b>Total</b>	<b>409,863,887</b>

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**29 Contingent liabilities :**

Contingent liabilities not provided in respect of :

	Eighteen months ended September 30, 2012 ₹
a) Bills Discounted	26,509,850
b) Guarantees issued by bank Corporate Guarantee to Other	21,972,573 -
c) Taxes in dispute: Entry Tax/Special Entry tax	14,458,194
Income tax matters	300,912
Excise Demands	5,562,848
Provident Fund	2,810,682
d) Labour Matters in Dispute	4,986,272
e) Bonds given by Company in favour of Customs Authorities	478,320,557
f) Other Demands Contested by the Company Creditors Claim	71,471
Electricity Duty	955,893
	<b>555,949,252</b>

**30** Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 5,077,837 (P.Y 4,302,584).

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

**32** During the current accounting period the company has written off fixed assets amounting to Rs. 90,510,493 mainly pertaining to spinning machines, speed frames, humidification plant, HFO plant and weaving machines. The company has scrapped these assets as they are technologically obsolete and in physically damaged condition.

**33 Gratuity**

	September 30, 2012 ₹
<b>a) Change in Present Value of Obligation</b>	
Present value of the obligation at the beginning of the year	131,205,773
Benefits earned during the year	15,510,736
Current Service Cost	9,538,487
Interest Cost	379,152
Past Service Cost - Vested Benefit	-
Actuarial (Gain) / Loss on Obligation	651,024
Benefits Paid	(18,824,525)
Present value of the obligation at the end of the year	138,460,647
<b>b) Change in Plan Assets</b>	
Fair value of Plan Assets at the beginning of the year	125,330,400
Expected return on Plan Assets	15,039,648
Actuarial Gain / (Loss) on Plan Assets	665,426
Contributions by Plan Participants	9,298,243
Benefits Paid	(18,865,850)
Fair value of Plan Assets at the end of the year	131,467,867
<b>c) Amounts Recognised in the Balance Sheet</b>	
Present value of Obligation at the end of the year	138,460,647
Fair value of Plan Assets at the end of the year	131,467,867
Net Obligation at the end of the year	6,992,780



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### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

<b>d) Amounts Recognised in the Statement of Profit &amp; Loss</b>	
Current Service Cost	9,538,487
Interest cost on Obligation	15,889,888
Expected return on Plan Assets	(15,039,648)
Net Actuarial (Gain) / Loss recognised in the year	(14,402)
Past Service Cost - Vested Benefit recognised in the year	-
Expenses recognized in Profit & Loss Account	10,374,325
<b>e) Actual return on Plan Assets</b>	
Expected return on Plan Assets	15,039,648
Actuarial Gain / (Loss) on Plan Assets	665,426
Actual return on Plan Assets	15,705,074
<b>f) Actuarial Assumptions</b>	
i) Discount Rate	8.25%
ii) Expected Rate of Return on Plan Assets	8.60%
iii) Salary Escalation Rate	4.00%
iv) Attrition Rate	2.00%
v) Mortality	LIC 1994-96 Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**34** In the opinion of the Management, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all liabilities is adequate and not in excess of the amount reasonably necessary.

**35** Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	<b>Eighteen months ended September 30, 2012</b>
	₹
Net Loss after tax (Rs.)	(760,527,477)
Weighted average number of Equity Shares outstanding	6,499,308
Nominal Value of Share (Rs.)	10
Basic and Diluted Earnings per share (in Rs.)	(117.02)

#### **36 Break up of details of consumptions of Raw Materials & Stores and Spares**

Particulars	September 30, 2012		March 31, 2011	
	₹	%	₹	%
<b>Raw Material</b>				
Imported	172,014,877	5.58	20,091,021	16.67
Indigenous	2,913,089,484	94.42	2,612,073,388	83.33
<b>Total</b>	<b>3,085,104,361</b>	<b>100</b>	2,632,164,409	100
<b>Stores and Spares</b>				
Imported	30,700,524	28.86	22,800,471	17.74
Indigenous	75,668,637	71.14	92,035,247	82.26
<b>Total</b>	<b>106,369,161</b>	<b>100</b>	114,835,718	100

**37 CIF Value of Imports**

	Eighteen months ended September 30, 2012 ₹	Year ended March 31, 2011 ₹
Raw Materials	176,306,245	16,730,391
Stores and Spares	27,530,543	14,436,532
Capital Goods	–	1,532,493
<b>Total</b>	<b>203,836,788</b>	<b>32,699,416</b>

**38 Income in Foreign Currency**

	Eighteen months ended September 30, 2012 ₹	Year ended March 31, 2011 ₹
FOB value of Exports	387,128,660	750,934,482
Freight & Insurance Recoveries	10,089,561	16,826,619
<b>Total</b>	<b>397,218,221</b>	<b>767,761,101</b>

**39 Expenditure in Foreign Currency**

	Eighteen months ended September 30, 2012 ₹	Year ended March 31, 2011 ₹
Commission to Overseas Agents	2,415,981	8,356,790
Interest	10,061,290	8,206,648
Others	501,610	2,124,046
<b>Total</b>	<b>12,978,881</b>	<b>18,687,484</b>

**40 Auditors Remuneration included in legal and professional fees (including service tax)**

	Eighteen months ended September 30, 2012 ₹	Year ended March 31, 2011 ₹
Auditors' Remuneration		
Audit Fees	2,939,000	1,950,000
Tax Audit Fees	450,000	300,000
Certification	1,200,000	600,000
Out of Pocket Expenses (including branch auditor expenses)	401,511	267,432
Service Tax	551,750	326,640
<b>Total</b>	<b>5,542,261</b>	<b>3,444,072</b>

**41 Directors Remuneration**

	Eighteen months ended September 30, 2012 ₹	Year ended March 31, 2011 ₹
Salary and Allowance	5,134,332	2,886,344
Benefits and Perquisites	264,318	712,756
Bonus/Commission	1,800,000	1,200,000
Pension contribution to provident and superannuation fund	647,838	431,892
<b>Total</b>	<b>7,846,488</b>	<b>5,230,992</b>

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**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**42 Related Party Disclosures:**

**A Names of the related parties and description of relationship**

**I) Holding Company**

Shapoorji Pallonji & Company Limited

**II) Subsidiary**

Gokak Power & Energy Limited

**III) Fellow Subsidiaries**

Forbes & Company Limited	Volkart Fleming Shipping & Services Limited
Eureka Forbes Limited	Forbes Doris & Naess Maritime Limited
Forbes Technosys Limited	Forvol International Services Limited
Forbes Campbell & Co Limited	Shapoorji Pallonji Infrastructure Capital Company Limited

**IV) Key Managerial Personnel**

Mr. H. S. Bhaskar	Whole Time Director
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**B. Particulars of transaction with Related Parties**

Eighteen Months ended September 30, 2012 (*) Year ended March 31, 2012 (*)	Holding Company	Fellow Subsidiaries	Key Managerial Personnel	Total
<b>Nature of Transactions</b>				
<b>Sales</b>	163,532	88,493	-	252,025
<i>Previous Year</i>	<i>251,721</i>	<i>-</i>	<i>-</i>	<i>251,721</i>
<b>Servies Rendered</b>	-	3,243,296	-	3,243,296
<i>Previous Year</i>	<i>-</i>	<i>5,140,281</i>	<i>-</i>	<i>5,140,281</i>
<b>Remuneration</b>	-	-	7,846,487	7,846,487
<i>Previous Year</i>	<i>-</i>	<i>-</i>	<i>5,230,992</i>	<i>5,230,992</i>
<b>Advances/Loan Taken</b>	530,000,000	-	-	530,000,000
<i>Previous Year</i>	<i>-</i>	<i>-</i>	<i>-</i>	
<b>Advances/Loan Repaid</b>	530,000,000	-	-	530,000,000
<i>Previous Year</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Sale of Investment</b>	-	245,000	-	245,000
<i>Previous Year</i>	<i>84,658,750</i>	<i>-</i>	<i>-</i>	<i>84,658,750</i>
<b>Receivables</b>	740,353	1,174,909	-	1,915,262
<i>Previous Year</i>	<i>576,821</i>	<i>89,761</i>	<i>-</i>	<i>666,582</i>
<b>Payables</b>	-	2,507,022	1,800,000	4,307,022
<i>Previous Year</i>	<i>-</i>	<i>1,577,042</i>	<i>1,200,000</i>	<i>2,777,042</i>

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**
**C. Details of Related Party Transactions**

Nature Of Transaction	Eighteen months ended September 30, 2012 ₹	Year ended March 31, 2011 ₹
<b>Sales</b>		
Shapoorji Pallonji & Company Limited	163,532	251,721
Forbes & Company Limited	88,493	-
<b>Services Rendered</b>		
Forvol International Services Limited	383,272	2,110,301
Eureka Forbes Limited	81,599	62,875
Forbes & Company Limited	2,778,425	2,967,105
<b>Directors Remuneration</b>		
Mr. H.S. Bhaskar	7,846,487	5,230,992
<b>Advances/Loan Taken</b>		
Shapoorji Pallonji & Company Limited	530,000,000	-
<b>Advances/Loan Repaid</b>		
Shapoorji Pallonji & Company Limited	530,000,000	-
<b>Sale of Investment</b>		
Shapoorji Pallonji & Company Limited	-	84,658,750
Shapoorji Pallonji Infrastructure Capital Company Limited	245,000	-
<b>Receivables</b>		
Shapoorji Pallonji & Company Limited	740,353	576,821
Forbes Technosys Limited	-	89,761
Forbes Cambell & Co Ltd	1,174,909	-
<b>Payables</b>		
Forbes & Company Limited	1,463,444	510,172
Volkart Fleming Shipping & Services Limited	1,000,000	1,000,000
Eureka Forbes Limited	35,750	38,160
Forvol International Services Limited	7,828	28,710
Mr. H.S. Bhaskar	1,800,000	1,200,000

43. Trade Payables and Trade Receivables are subject to independent balance confirmations and reconciliations. Management is of the opinion that no variance of a material sum is expected on such independent confirmations and reconciliations.

**44. Segment information**

The Company operates in one segment only, namely Textiles. Sales in different geographical segments are subject to same risk and reward relationship. Accordingly, in the opinion of the management, the information relating to the segment reporting as set out under Accounting Standard 17 is not applicable.

45. Figures of previous year have been regrouped/recast/rearranged wherever necessary, to conform to the current period's presentation.

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### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details**

Registration No:

L17116KA2006PLC038839

State Code.

08

Balance Sheet Date

30 09 2012

Date Month Year

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

Public Issue

Nil

Rights Issue

Nil

Bonus Issue

Nil

Private Placement

Nil

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

Total Liabilities

2,777,879

Total Assets

2,777,879

**Sources of Funds**

Paid up Capital

64,993

Reserves and Surplus

780,671

Secured Loan

458,764

Current Liabilities

1,422,930

Deferred Tax Liability (Net)

50,522

**Application of Funds**

Net Fixed Assets

1,261,557

Investments

249,950

Current Assets

1,266,373

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

Turnover

4,842,213

Total Expenditure

5,594,683

Profit / Loss before tax

188,170

Profit / Loss after tax

194,820

Earning per share in Rs.

29.98

Dividend Rate %

-

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

Item Code No. (ITC Code)

5205110

Product Description

Cotton Yarn

Item Code No. (ITC Code)

52091250

Product Description

Cotton Canvas

Item Code No. (ITC Code)

61091000

Product Description

Knitted Garments

SHAPOOR P. MISTRY

*Chairman*

H. S. BHASKAR

*Executive Director & CEO*

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

}  
}

*Director*

R. N. JHA

KAIWAN KALYANIWALLA

RIMA MARPHATIA

D G PRASAD

}  
}

*Directors*

GOVINDA R. KADEKAR

K. RAMANANDA PAI

*General Manager Finance*

*Company Secretary*



**GOKAK POWER & ENERGY LIMITED**  
**A SUBSIDIARY COMPANY**

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<b>DIRECTORS</b>	:	SHAPOOR P. MISTRY – <i>Chairman</i> H.S.BHASKAR S. MUKUNDAN C. G. SHAH KAIWAN KALYANIWALLA
<b>PRINCIPAL BANKERS</b>	:	ICICI BANK LTD
<b>AUDITORS</b>	:	MURUGESH & COMPANY
<b>REGISTERED &amp; CORPORATE OFFICE</b>	:	NO.24, 29TH MAIN BTM LAYOUT II STAGE BANGALORE - 560 076
<b>PLANTS</b>	:	1. GOKAK FALLS- 591 308 (DISTRICT BELGAUM-KARNATAKA) 2. VILLAGE: DHUPDAL , ARABHAVI HOBLI, TAL: GOKAK , DIST. BELGAUM



## DIRECTORS' REPORT

To,  
The Shareholders  
Your Directors submit their first Report and Audited Accounts of the Company for the period from 17.01.2012 to 30.09.2012.

### 1. FINANCIAL RESULTS:

The summarized financial results are set out below :

(Rs. in Lakhs)

	<b>For the period from 17.01.2012 to 30.09.2012</b>
(a) Gross Income	4.13
Less : Costs	48.63
(b) Balance	(44.50)
Less : Interest and Financial Charges (Net)	(246.77)
(c) Balance	(291.27)
Less : Depreciation	4.03
(d) Loss after depreciation carried to Balance Sheet	(295.30)
Less : Provisions for taxation	-
Net Loss	(295.30)

### 2. SHARE CAPITAL & DIVIDEND:

The Paid-up-Capital of the Company is Rs.49 Crores. During the first accounting period from 17.01.2012 to 30.09.2012, no dividend for the year is proposed.

### 3. OPERATIONS :

This is the first year of operations. During the year under review, the Company had only 4 days of commercial production as the plant was transferred on 27.09.2012. Hence, turnover is insignificant.

### 4. DIRECTORS :

Mr.Shapoor P. Mistry, Mr.H.S.Bhaskar and Mr.S Mukundan were appointed as First Directors of the Company as per clause 95 of the Articles of Association of the Company.

Mr.Shapoor P. Mistry, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.C. G. Shah and Mr. Kaiwan Kalyaniwalla were appointed as Additional Directors of the Company with effect from 11<sup>th</sup> May, 2012 and 30<sup>th</sup> October 2012 respectively and holds office upto the date of ensuing Annual General Meeting. The Board of Directors commends their appointment as the Directors of the Company.

The particulars of Mr.C.G.Shah and Mr. Kaiwan Kalyaniwalla, who are proposed to be appointed at the ensuing Annual General Meeting is furnished in the Explanatory Statement Annexed to the Notice.

### 6. DIRECTORS RESPONSIBILITY STATEMENT :

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

- in the preparation of the annual accounts for the accounting period 17.01.2012 to 30.09.2012, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts for the accounting period ended 30<sup>th</sup> September, 2012 on a 'going concern' basis.

### 6. AUDITORS AND AUDIT REPORT :

Messrs. Murugesh & Company, Chartered Accountants, Statutory Auditors of the Company hold office from the conclusion of ensuing Annual General Meeting until the conclusion of next Annual General Meeting and they are eligible for re-appointment.

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

The particulars as prescribed under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are set out in the Annexure to this Report.

### 8. PARTICULARS OF EMPLOYEES :

There are no such particulars to be furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

### 9. OUT LOOK :

All the hydro power plants of the company are situated in the same geographical area and depend on Ghataprabha and Hiranyakeshi River. During the current year there is severe drought throughout Karnataka. As a result of which, many parts in the commanding area have not been able to have a regular agricultural production. Keeping this in view, Government will be forced to release maximum water to rabi crop, as a result of which, there will be a shortage of water till next monsoon.

Hidkal dam which has a capacity of 49 TMC is not yet full as of date due to shortage of rainfall in the catchment area. The available water as said earlier will be utilized for rabi crop and balance will be preserved for drinking purposes and subsistence of livestock. Looking to this condition, the over all generation when compared to historical generation will be lower. As the entire unit generated will be consumed by Gokak Textiles Ltd. there will not be any issue of surplus power till next monsoon. Company has identified the potential for increasing the generation capacity from existing 10.8 MW to 12.8 MW. These



projects will be implemented by the company after obtaining all necessary approvals from the regulatory authorities. Our Company is also looking for additional power sites for acquiring to augment the over all generation capacity.

**10. ACKNOWLEDGEMENT :**

Your Directors wish to place on record their sincere appreciation for the assistance given by the Company's Bankers and acknowledge that their support has been a source of considerable strength. Your Directors thank all stakeholders for their valuable and sustained support, encouragement and look forward to receive similar support and encouragement in the years ahead.

Your Directors also place on record their appreciation for the contribution made by the employees of the Company at all levels.

For and on behalf of the  
Board of Directors

Mumbai  
31<sup>st</sup> October, 2012.

**SHAPOOR P. MISTRY**  
*Chairman*

Registered Office :  
No.24, 29<sup>th</sup> Main, BTM Layout II Stage  
Bangalore – 560 076



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

**(A) Conservation of Energy**

Measures taken during the year include the following:-

**(a) ENERGY CONSERVATION MEASURES TAKEN FOR THE YEAR 2011-12:**

1. Replaced ordinary ballast by new Electronic ballast in the tube lights.
2. Water leakages in shaft sleeve attended to reduce dewatering pump / drainage pump operation
3. Water leakages in Canal attended to increase the efficiency of the hydro set

**(b) ADDITIONAL INVESTMENT PROPOSALS:**

1. Replacement of ordinary ballast by new Electronic ballast in tube lights
2. Replacement of CFL/LED Type Street lights in place of Sodium vapor lamps.
3. Water leakages in shaft sleeve to be checked continually & to be attended to reduce dewatering pump / drainage pump operation
4. Unnecessary operation of HR gates and DT gates to be controlled.
5. Oil leakages to be attended to reduce auxiliary pump motor operation.

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**AUDITOR'S REPORT**

To

**The Members of Gokak Power & Energy Limited**

1. We have audited the attached Balance sheet of **GOKAK POWER & ENERGY LIMITED**, as at 30th September 2012, and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. 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 mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A), section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said enclosure.
4. Further to our comments in the Annexure referred to in paragraph (3) 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 of the Company.
  - (iii) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account of the Company.
  - (iv) In our opinion, the Balance sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 30th September 2012, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 30th September 2012 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 **30th September 2012**, and
    - (b) In the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.
    - (c) In the case of the Cash flow statement for the year ended on that date **30th September 2012**.

**For MURUGESH & Co.,**  
*Chartered Accountants*

**Place : Bangalore**  
**Date : 31st October, 2012**

**H.B.M.MURUGESH**  
*Proprietor*



## ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 3 of our report of even date,

- (i) (a) The Company has acquired Fixed Assets from Holding Company(i.e.Gokak Textiles Ltd) . Registration and Stamping of Slum Sale Agreement has not been Completed.
- (ii) Since the company has no inventory, the provisions of the clause (ii) (a), (ii) (b) and (ii) (c) of the order are not applicable.
- (iii) The Company has not granted or taken any loans, secured or unsecured to/from Companies, firms or other parties listed in the register maintained under section 301 of the Act 1956 or to Companies under same management as defined in Section 370(1-B) of the Companies Act, 1956 except trade advance of Rs 15 Lakhs. Since the advance is in the nature of trade advance the reporting requirement under clause (iii)(b),(iii) (c) and (iii) (d) are not applicable for the year under reference.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that no transaction that need to be entered into a register maintained under section 301 of the Companies Act,1956, have been so entered.  
(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 lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) During the year the Company has not accepted any deposits from the public. Hence the provisions of clause 4(vi) of the Order is not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed the maintenance of cost records by the Company under section 209(1) (d) of the Companies Act, 1956, for any of its products.
- (ix) Since the company is newly incorporated there are no undisputed dues by the company and consequently sub-clause (a) & (b) are not applicable.
- (x) Since the company is registered for a period less than five years, the provisions of the clause (x) of the order are not applicable.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institutions, banks or debenture holders.
- (xii) According to the information and explanation 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 a chit fund or a nidhi / mutual benefit fund/ society. Therefore the provision 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 or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanation given to us, and an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanation given to us, the company has not made any preferential allotment of share during the year to parties and companies covered in the Register maintained under section 301 of the Act. Accordingly, the provision of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xix) According to the information and explanation given to us, the Company has not issued any debentures during the year.
- (xx) According to the information and explanation given to us, the Company has not raised any money during the year through public issues.
- (xxi) According to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For MURUGESH & Co.,**  
*Chartered Accountants*

**Place : Bangalore**  
**Date : 31st October, 2012**

**H.B.M.MURUGESH**  
*Proprietor*

**Annual Report**  
**2011 - 2012**

**BALANCE SHEET AS AT SEPTEMBER 30, 2012**

	Note	As at September 30 2012 Rupees
<b>EQUITY AND LIABILITIES</b>		
Shareholder's fund		
Share Capital	4	490,000,000
Reserves and Surplus	5	(29,530,175)
		<u>460,469,825</u>
<b>Non current liabilities</b>		
Long Term Borrowings	6	860,000,000
Deferred tax Liabilities (Net)		
Other Long Term Liabilities		
Long Term Provisions		
		<u>860,000,000</u>
<b>Current liabilities</b>		
Short Term Borrowings		
Trade Payables		
Other Current Liabilities	7	16,954,594
Short Term Provisions		
		<u>16,954,594</u>
		<u><u>1,337,424,419</u></u>
<b>ASSETS</b>		
<b>Non current assets</b>		
Fixed Assets		
Tangible assets	8	1,199,596,489
Intangible assets		
Capital Work in Progress		16,333,620
		<u>1,215,930,109</u>
Non Current Investments		-
Long-Term Loans And Advances		<u>1,215,930,109</u>
<b>Current assets</b>		
Inventories		
Trade Receivables		
Cash And Cash Equivalents	9	120,768,941
Short-Term Loans And Advances	10	725,369
Other Current Assets		
		<u>121,494,310</u>
		<u><u>1,337,424,419</u></u>
Significant Accounting Policies	1-3	

The notes are an integral part of the these financial statements

Signatures to Balance Sheet and Schedules

As per our Report attached

For and on behalf of

**MURUGESH & CO.,**

*Chartered Accountants*

**H B M MURUGESH**

*Proprietor*

Mumbai, 31st October, 2012

SHAPOOR P. MISTRY

*Chairman*

H. S. BHASKAR

*Executive Director*

S. MUKUNDAN

*Director*

C. G. SHAH

*Director*

KAIWAN KALYANIWALLA

*Director*

**PROFIT AND LOSS FOR THE PERIOD FROM 17th JANUARY 2012 TO 30TH SEPTEMBER 2012**

	Note	September 30 2012 Rupees
<b>REVENUE</b>		
Revenue from operations (Gross)	11	413,800
Less : Excise Duty		-
Revenue from operations (Net)		413,800
Other Income		-
<b>TOTAL REVENUE</b>		<b>413,800</b>
<b>EXPENSES</b>		
Cost of Raw Materials Consumed		
Employee Benefit Expenses	12	51,212
Other expenses	13	4,811,927
Depreciation	8	403,511
Finance Costs		24,677,325
<b>Total expenses</b>		<b>29,943,975</b>
<b>Profit before tax</b>		<b>(29,530,175)</b>
Tax expense		
Current tax		
Current year		-
Adjustments of earlier years		-
Deferred tax		-
<b>Profit for the year</b>		<b>(29,530,175)</b>
Earnings per share (in Rs) (Basic and Diluted)		(19.60)
Significant Accounting Policies	3	

The notes are an integral part of the these financial statements

Signatures to Balance Sheet and Schedules

As per our Report attached

For and on behalf of

**MURUGESH & CO.,**

Chartered Accountants

**H B M MURUGESH**

Proprietor

Mumbai, 31st October, 2012

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director

S. MUKUNDAN

Director

C. G. SHAH

Director

KAIWAN KALYANIWALLA

Director

## Annual Report

2011 - 2012

### CASH FLOW STATEMENT FOR THE PERIOD FROM 17th JANUARY 2012 TO 30TH SEPTEMBER , 2012

	September 30 2012 Rupees
<b>A. Cash flow from operating activities:</b>	
Profit before tax	(29,530,175)
Adjustments for:	
Depreciation	403,511
Interest income	-
Profit on sale of Fixed Assets	-
Interest and financial charges	24,677,325
Profit on sale of investments	-
Dividend Income	-
Provision for Doubtful Debts	-
Operating profit before working capital changes	(4,449,339)
Adjustments for :	
(Increase)/ Decrease in Inventories	-
(Increase)/ Decrease in Trade and other receivables	(725,369)
Increase/ (Decrease) in Trade payables and other liabilities	16,954,594
Cash generated from operations	-
Direct Taxes paid	-
<b>Net cash from operating activities</b>	<b>11,779,886</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
(Purchase)/Sale of Investments (Net)	-
Purchase of fixed assets, including intangible assets	(1,216,333,620)
Sale of Fixed Assets	-
Interest received	-
Dividend received	-
<b>Net cash (used in)/from investing activities</b>	<b>(1,216,333,620)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds /(Repayments) from Borrowings	860,000,000
Interest paid	(24,677,325)
Increase in Equity capital	490,000,000
Net cash from /(used in) financing activities	1,325,322,675
<b>NET INCREASE/(DECREASE )IN CASH &amp; CASH EQUIVALENTS</b>	<b>120,768,941</b>
Cash and Cash equivalents at the beginning of the year	-
Cash and Cash equivalents at the end of the year	120,768,941
<b>D. COMPONENTS OF CASH AND CASH EQUIVALENTS</b>	
Cash on Hand	600
Balances with banks:	
- In current accounts	120,768,341
- In Margin accounts	-
	<b>120,768,941</b>

#### Notes

- 1 Figures in brackets indicate cash outflow.
- 2 Since this year being first year of operation, previous year figures are not given

As per our Report attached

Signatures to Balance Sheet and Schedules

For and on behalf of

**MURUGESH & CO.,**  
Chartered Accountants

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director

S. MUKUNDAN

Director

C. G. SHAH

Director

KAIWAN KALYANIWALLA

Director

**H B M MURUGESH**  
Proprietor

Mumbai, 31st October, 2012



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## NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012

### 1 Corporate Information

Gokak Power and Energy Limited is public company incorporated on 17th January 2012 under the provisions of Company's Act 1956. The company is in the business of generation/producing electric power. The Company has acquired 10.8 MW of Hydro power Business during the year. The Company intends to sell the power generated from this combination of long term Power Purchase Agreements and on merchant basis.

### 2 Basis of Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

### 3 Accounting Policies

#### (a) Use of Estimates :

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

#### (b) Fixed Assets :

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from the exchange rates variances relating to liabilities attributable to fixed assets are expensed out.

#### (c) Depreciation /Amortisation:

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

#### (d) Investments :

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

#### (e) Borrowing cost :

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

#### (f) Revenue recognition :

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

#### (g) Operating expenses :

Operating expenses and standing charges are charged to revenue on accrual basis.

#### (j) Provisions and Contingent Liability

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

#### (k) Accounting for Taxes on Income

Tax expense for the year comprises of current tax and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income Tax Act. Deferred Tax Assets and Liabilities are measured using tax rates and tax laws that have been enacted / substantively enacted as on the balance sheet date. Provision for deferred tax is made for all temporary timing difference arising between the taxable income and accounting income at currently enacted tax rates. Deferred tax assets, other than un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets on un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Assets/Liabilities are reviewed for the appropriateness of their respective carrying values at each balance sheet date.



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**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**(l) Earnings per Share**

The Company reports basic and diluted earnings per equity share in accordance with AS-20, on Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

**(m) Impairment**

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

(n) Since current year being the first year of operation the previous year figures are not given as they are not applicable

**4 Share Capital**

	September 30, 2012	
	Number	₹
<b>Authorised</b>		
Equity Shares of ₹ 10 each	49,000,000	490,000,000
<b>Issued, Subscribed and Paid up</b>		
Equity Shares of ₹ 10 each fully paid	49,000,000	490,000,000
<b>Total</b>	49,000,000	490,000,000

**(A) Reconciliation of equity shares outstanding at the beginning and end of the reporting year**

	September 30, 2012	
	Number	₹
Shares outstanding at the beginning of the year	-	-
Add: Shares Issued during the year	49,000,000	490,000,000
Less : Shares bought back during the year	-	-
Shares outstanding at the end of the year	49,000,000	490,000,000

**(B) Terms/rights attached to equity shares**

The company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 30th September 2012, the amount of per share dividend recognized as distributions to equity shareholders is NIL .

**(C) Details of shares held by shareholders holding 5% of the aggregate shares in the Company**

	September 30, 2012	
	Number	%
Gokak Textiles Limited	24,990,000	51%
Shapoorji pallonji Infrastructure Capital Company Limited	24,010,000	49%



**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**5 Reserves & Surplus**

	GPEL September 30, 2012 ₹
<b>General Reserve</b>	
Opening Balance	-
(+) Transfer from Profit and Loss	(29,530,175)
(-) Utilised for creation of Capital redemption reserve	-
(-) Utilised for premium on buy back of shares	-
Closing Balance	(29,530,175)
<b>Surplus in Statement of Profit and Loss</b>	
Opening balance	-
(+) Net profit for the current year	(29,530,175)
(-) Transfer to General Reserve	-
Closing Balance	(29,530,175)

**6 Long Term borrowings**

	GPEL March 31, 2012 ₹
<b>Secured</b>	
Term Loan	860,000,000
<b>Total</b>	860,000,000

**Nature of Security** : First ranking mortgage/hypothecation/assignment/security interest /charge /pledge on all the moveable ,immovable both present and future ,all rights,titles,permits,approvals and interests of the compnay in ,to and in respect of all the assets of the company ,all clearnces in relation to the project as well as in the project documents,all contractor guarntees ,performance bonds and any letter of credit provided to the company.,all insurance contracts,all bank accounts in relation to the project and pledge of equity shares representing 30% of the shares.

**7 Other Current Liabilities**

	GPEL September 30, 2012 ₹
Current Maturities of Long Term Borrowings	
Interest Accrued but not due	883,562
Audit Fee payable	100,000
Other Employee Liabilities	51,212
Other Payables	15,919,820
<b>Total</b>	16,954,594

There are no amounts due for payments to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

**8 FIXED ASSETS**

Description of Assets	Addition	As on	For the year	As on	As on
		Sept. 30, 2012		Sept. 30, 2012	Sept. 30, 2012
<b>A Tangible Assets</b>					
Building	735,409,772	735,409,772	201,885	201,885	735,207,887
Plant and Machinery	464,520,000	464,520,000	201,589	201,589	464,318,411
Furniture, Fixtures and Office Equipment	70,228	70,228	37	37	70,191
<b>Total Tangible Assets</b>	<b>1,200,000,000</b>	<b>1,200,000,000</b>	<b>403,511</b>	<b>403,511</b>	<b>1,199,596,489</b>
<b>B Intangible Assets</b>					
<b>Total Intangible Assets</b>	-	-	-	-	-

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**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**9 Cash and Bank Balances**

	GPEL September 30, 2012 ₹
Cash on Hand	600
Balances with banks In Current accounts	120,768,341
<b>Total</b>	<b>120,768,941</b>

**10 Short-term Loans and advances**

	GPEL September 30, 2012 ₹
Unsecured, considered good Prepaid Expenses	725,369
<b>Total</b>	<b>725,369</b>

**11 Revenue from Operations**

	GPEL September 30, 2012 ₹
<b>Revenue from Operations</b>	
Sale of Products	413,800
<b>Total</b>	<b>413,800</b>

**12 Employee Benefit Expense**

	GPEL September 30, 2012 ₹
Salaries, Wages, Bonus and Exgratia	51,212
<b>Total</b>	<b>51,212</b>

**13 Other Expense**

	GPEL September 30, 2012 ₹
Rates and Taxes	4,577,772
Insurance	6,095
Legal and Professional Fees	60,000
Printing and Stationery	5,933
Travelling and Conveyance	57,834
Administrative expenses	4,293
Auditors' Remuneration	
Audit Fees	100,000
<b>Total</b>	<b>4,811,927</b>

**14** Disclosure of sundry creditors under current liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro Small and Medium Enterprises Development Act, 2006". Amounts overdue as on March 31, 2012 to Micro, Small and Medium Enterprises on account of Principal amount together with interest, aggregate to Rs. Nil (Previous year Rs. Nil)

**15** The slump purchase agreement has been signed on 28th of September and as on the Balance sheet date the stamping and registration of the agreement has not been completed. There is 60 days and 120 days time for the date of agreement for stamping and registration of the agreement.

**NOTES TO FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2012**

**16** In the opinion of the Management, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all liabilities is adequate and not in excess of the amount reasonably necessary

**17** Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	<b>GPEL September 30, 2012 ₹</b>
Net Profit after Tax for the year (Rs.)	<b>(29,530,175)</b>
Weighted average number of Equity Shares outstanding	<b>1,506,421</b>
Nominal Value of Share (Rs.)	<b>10</b>
Earnings Per share (Basic and Diluted) (Rs.)	<b>(19.60)</b>

**18 Related Party Disclosures:****Names of the related parties and description of relationship****A I) Holding Company/Ulimate Holding Company**

Gokak Textiles Limited

**II) Subsidiaries****III) Associate Companies**

Shapoorji Pallonji Infrastructure Capital Company Limited

**IV) Key Managerial Personnel:**

Mr. H. S. Bhaskar - Director

**B Particulars of transaction with Related Parties***(Amount in Rs.)*

Nature of Transactions	Holding Company	Subsidiaries	Key Managerial Personnel
Sales	413,800	-	-
<i>Previous Year</i>	-	-	-
Purchase of Fixed Assets	1,200,000,000	-	-
<i>Previous Year</i>	-	-	-
Payables	15,919,820	-	-
<i>Previous Year</i>	-	-	-



**Registered Office :** No. 24, 29TH MAIN, BTM LAYOUT II STAGE, BANGALORE - 560 076.  
**6<sup>th</sup> ANNUAL GENERAL MEETING ON THURSDAY, THE 29<sup>th</sup> NOVEMBER, 2012 AT 3.00 P.M.**  
**VENUE :** Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

### ATTENDANCE SLIP

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

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

\* DP ID No.

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

- (1) Shareholder/Proxy holder must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
- (2) Shareholders are requested to advice change in their address, if any, to the Company's Registrar and Share Transfer Agents, TSR Darshaw Ltd. Unit : Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.

The information should be signed by all the shareholders registered under the Ledger Folio.

\*Applicable for Shareholder's holding shares in electronic form.



**Registered Office :** No. 24, 29TH MAIN, BTM LAYOUT II STAGE, BANGALORE - 560 076.

### PROXY FORM

I / We ..... of .....  
in the district of ..... being a member(s) of the above-named Company, hereby appoint  
..... of ..... in the district of ..... of failing him  
..... of ..... in the district of .....  
as my/our proxy to attend and vote for me/us on my/our behalf at the 6<sup>th</sup> Annual General Meeting of the Company to be held on Thursday, the  
29th November, 2012 and at any adjournment thereof.

Signed this ..... day of .....2012.

FOR OFFICE USE ONLY

PROXY No. :

REGD. FOLIO :

No. OF SHARES :

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

Please Affix  
Re.1  
Revenue  
Stamp

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

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





➔ Doneir room

Hanging Bridge for workmento cross during monsoon ←





  
**GOKAK™**  
TEXTILES LIMITED

**Registered Office:**  
# 24, 29th Main  
BTM Layout II Stage  
Bangalore – 560 076.