



# GTN INDUSTRIES LIMITED

49th ANNUAL REPORT  
2010-2011



**Board of Directors**

Mr. M.K. Patodia	Chairman & Managing Director
Mrs. Anjana Patodia	
Mr. B.L. Singhal	
Mr. V. Narayana Murthy	Nominee - IDBI Bank Ltd. (Upto 26-05-2011)
Mr. Sanjay Panicker	Nominee - IDBI Bank Ltd. (From 26-05-2011)
Mr. M.R. Vikram	
Mr. C.George Joseph	

**Chief Financial Officer**

Mr. C.R.Gang

**Company Secretary**

Mr. P. Prabhakara Rao

**Institution / Bankers**

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

**Auditors**

Lodha & Co.,  
Chartered Accountants, Mumbai.

**Registered Office**

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

**Corporate Office**

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

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**NOTICE**

**Notice** is hereby given that the 49<sup>th</sup> Annual General Meeting of **GTN INDUSTRIES LIMITED** will be held at the Registered Office of the Company at Chitkul Village, Patancheru Mandal, Medak District, Andhra Pradesh at 10.15 A.M on Wednesday, 27<sup>th</sup> day of July, 2011 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit and Loss account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri B.L. Singhal, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri M.R. Vikram, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Lodha & Company, Chartered Accountants, Mumbai, as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

**SPECIAL BUSINESS**

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

**“RESOLVED THAT** the consent of the Company be and is hereby accorded to the Board/Committee in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgage/to create charge on fixed assets of the Company and/or assets purchased under the scheme on exclusive charge basis in favour of Central Bank of India to secure their term loan of Rs.1240 lacs and further secured by second charge on current assets of the Company with other Term Lenders. However, the above charges exclude assets on which exclusive charge was already created and hypothecation of current assets of the Company on which prior charge created in favour of Working Capital Bankers.”

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

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

Place : Hyderabad  
Date : 26<sup>th</sup> May, 2011

**(P. PRABHAKARA RAO)**  
Company Secretary

**Notes:**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The proxy form duly filled in should be deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
2. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto and forms part of the Notice.
3. Register of Members and Share Transfer Books will remain closed from 25<sup>th</sup> day of July, 2011 to 27<sup>th</sup> day of July, 2011 (both days inclusive).
4. Pursuant to Section 205A(5) of the Companies Act, 1956, Unclaimed Dividend for the financial year ended 31<sup>st</sup> March, 2003 has been transferred by the Company to **INVESTOR EDUCATION AND PROTECTION FUND (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956 on 23-08-2010. Dividend for the Financial Year ended 31<sup>st</sup> March, 2004 and thereafter which remain unclaimed for a period of 7 years will be transferred by the Company to the IEPF pursuant to the said provisions of the Act.

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

Financial Year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31-Mar-04	30-Jul-04	29-Jul-11	27-Aug-11
31-Mar-05	05-Sep-05	04-Sep-12	03-Oct-12
31-Mar-06	25-Jul-06	24-Jul-13	22-Aug-13
31-Mar-07	30-Jul-07	29-Jul-14	27-Aug-14

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

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

**NOTICE** (contd.)

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

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

<b>Name of the Director</b>	<b>Shri B.L. Singhal</b>	<b>Shri M.R. Vikram</b>
<b>Date of Birth</b>	15 <sup>th</sup> April, 1947	18 <sup>th</sup> May, 1956
<b>Date of Appointment</b>	25 <sup>th</sup> June, 1987	17 <sup>th</sup> December, 2005
<b>Qualification</b>	Graduate in Commerce & Fellow member of the Institute of Chartered Accountants of India (ICAI).	Graduate in Science, LLB & Fellow member of the Institute of Chartered Accountants of India (ICAI).
<b>Expertise in specific Functional Area</b>	Practicing Chartered Accountant and a partner of M/s. B.L. Singhal & Co., Chartered Accountants, Kolkata. Having vast experience in Finance, Taxation, Company Law matters besides proficiency in accountancy.	Practicing Chartered Accountant and a Partner of M/s. Anandam & Co., Chartered Accountants, Secundrabad. Having vast experience in Finance, Taxation, Company Law matters besides proficiency in accountancy. Also Secretary of M.Venkatarangaiya foundation and past Chairman of SIRC of ICAI.
<b>Details of other Directorship</b>	<ol style="list-style-type: none"> <li>1) GTN Textiles Ltd.</li> <li>2) GTN Enterprises Ltd.</li> <li>3) Prime Urban Development India Ltd.</li> <li>4) Patspin India Ltd.</li> <li>5) ATL Textiles Processors Ltd.</li> <li>6) Priti Credit Pvt. Ltd.</li> <li>7) BLS Securities Pvt. Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1) ASM Technologies Ltd.</li> <li>2) Wings Infonet Ltd.</li> <li>3) Glochem Industries Ltd.</li> <li>4) A Bond Strands Pvt. Ltd.</li> <li>5) Normak Fashions Pvt. Ltd.</li> <li>6) Dyka Accessories Pvt. Ltd</li> <li>7) Normak India Pvt. Ltd.</li> <li>8) Amreli Power Project Ltd.</li> <li>9) M Anandam Consultancy Services Pvt. Ltd.</li> <li>10) Associated Business Consulting Services Pvt. Ltd.</li> <li>11) Institute of Insurance &amp; Risk Management</li> <li>12) Triumphant Institute of Management Education Pvt. Ltd.</li> </ol>
<b>Details of other Committee &amp; Membership status</b>	<p><b>GTN Textiles Ltd</b> Audit Committee Shareholders/Investors Grievance Committee Remuneration Committee</p> <p><b>Patspin India Ltd</b> Audit Committee Shareholders/Investors Grievance Committee Remuneration Committee</p> <p><b>Prime Urban Development India Ltd</b> Audit Committee Shareholders/Investors Grievance Committee</p>	<p><b>Glochem Industries Ltd</b> Audit Committee Remuneration Committee</p> <p><b>Institute of Insurance &amp; Risk Management</b> Audit Committee</p> <p><b>Sahakara Mitra Samastha</b> Trustee</p> <p><b>M.Venkatarangaiya Foundation</b> Secretary Trustee</p> <p><b>REEDS</b> Chairman Trustee</p>

## GTN INDUSTRIES LIMITED

### NOTICE (contd.)

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

##### ITEM NO. 5

Central Bank of India (CBI) has sanctioned Term Loans aggregating to Rs.1240 lacs. In terms of the sanctions, these Loans are required to be secured by mortgage / charge on the Fixed Assets of the Company and / or assets purchased under the scheme on the exclusive charge basis and the second charge on working capital Assets.

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

Since the mortgage by the Company of its Fixed Assets in favour of Central Bank of India may be regarded as otherwise disposal of the Company's properties/undertaking, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956. Copy of sanction letter issued by Central Bank of India is open for inspection at the Registered office of the Company on any working day prior to the date of the meeting.

None of the Directors is concerned or interested in the Resolution.

Your Directors recommend this resolution for approval.

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

Place : Hyderabad  
Date : 26<sup>th</sup> May, 2011

**(P. PRABHAKARA RAO)**  
Company Secretary

#### REQUEST TO THE MEMBERS

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

## DIRECTORS' REPORT

### To The Members,

Your Directors are presenting the 49<sup>th</sup> Annual Report together with the Audited Statements of Account for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS (Rs. in Lacs)

	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>INCOME</b>		
Net Sales/Income from operations*	39912	27305
Other Income	37	150
Variation in Stock	646	(830)
<b>TOTAL</b>	<b>40595</b>	<b>26625</b>
<b>EXPENDITURE</b>		
a) Cost of Materials**	25732	16374
b) Staff Cost	2487	2203
c) Power & Fuel	2654	2329
d) Other expenditure	4578	3444
<b>TOTAL</b>	<b>35451</b>	<b>24350</b>
<b>OPERATING PROFIT</b>	<b>5144</b>	<b>2275</b>
Interest	1828	1434
<b>PROFIT BEFORE DEPRECIATION AND TAXATION</b>	<b>3316</b>	<b>841</b>
Depreciation	1546	1569
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>1770</b>	<b>(728)</b>
Exceptional items (net)	-	230
Provision for Deferred Tax	803	(357)
Provision for Income Tax	375	-
MAT Credit Entitlement	(359)	-
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>951</b>	<b>(601)</b>

\* Sales includes Traded goods of Rs.12577 lacs (Previous year Rs.7203 lacs). \*\* Cost of Material includes Trading purchases of Rs. 11165 lacs (Previous year Rs. 7144 lacs)

### DIVIDEND

The Company's performance for the year has improved significantly compared to the previous year. However, with a view to conserve available resources and considering that Company is still under CDR, your Directors have not recommended any Dividend for the year.

### PERFORMANCE REVIEW

Your Directors are pleased to report that the performance of the Company during the year has been quite impressive as compared to the previous year.

During the Financial Year under review, the Company has achieved turnover at Rs.39912 lacs against Rs.27305 lacs in the previous year. The operating and cash profit were higher by

Rs.2869 lacs and Rs. 2475 lacs respectively, as compared to the corresponding previous year.

This exceptional performance was mainly due to increased sales realisation inspite of increased cotton prices. The domestic as well as International market has witnessed good demand. The Company could get added advantage of the cotton prices due to timely stocking of raw material at reasonable price. As a result, the cotton cost could be averaged out and margins were improved through yarn prices which remained higher in line with the then prevailing cotton prices. Further, in view of the financial restructuring package sanctioned by the lenders and CDR – EG, the Company had an advantage of interest cost reduction.

At present the cotton prices are more or less stagnant with the yarn realisation sliding down. The real position will be known when new cotton will arrive in the market during October-November, 2011.

### CORPORATE DEBT RESTRUCTURING

Due to Corporate Debt Restructuring during 2009-10, the Company could achieve greater financial flexibility in the operations. The Company has complied with all the terms of Corporate Debt Restructuring Scheme approved by Lenders/ CDR -EG.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and there are no material departures;
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the Profit of the Company for the year;
- c) they have taken proper and sufficient care, for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- d) they have prepared the Annual Accounts on a going concern basis.

## GTN INDUSTRIES LIMITED

### DIRECTORS' REPORT (contd.)

#### CORPORATE GOVERNANCE

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

#### FIXED DEPOSITS

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

#### DIRECTORS

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

#### AUDITORS

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

#### PERSONNEL & INDUSTRIAL RELATIONS

During the year, the Industrial relations were cordial at all units of the Company. There were no employees whose particulars

are to be given in terms of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

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

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

#### ACKNOWLEDGEMENT

Your Directors place on record their sincere thanks to CDR- EG, Central Bank of India, State Bank of India, IDBI Bank Limited, Export-Import Bank of India, ING Vysya Bank and State Bank of Travancore, the concerned Departments of the State and Central Government, Employees and Shareholders of the Company for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Hyderabad

Date : 26<sup>th</sup> May, 2011

**M.K.PATODIA**

Chairman & Managing Director

**DIRECTORS' REPORT** (contd.)**ANNEXURE – I**

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

**A. Energy Conservation**

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

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>I. Power Consumption</b>		
1 Electricity		
a) Purchased (Units in lacs)	<b>611.19</b>	571.83
Total amount (Rs. in lacs)	<b>2415.68</b>	1991.08
Rate per unit (Rs.)	<b>3.95</b>	3.48
b) Own generation through Diesel Generator (Units in lacs)	<b>6.94</b>	17.09
Units per litre of Diesel Oil (No.)	<b>4.45</b>	3.26
Cost per unit (Rs.)	<b>11.67</b>	9.94
2. Coal	<b>Nil</b>	Nil
3. Furnace Oil	<b>Nil</b>	Nil
4. Others / Internal generation	<b>Nil</b>	Nil
<b>II. Consumption per unit of production</b>		
a) Electricity - Units per Kg. Yarn	<b>7.82</b>	7.91
b) Furnace Oil (low sulphur high stock oil) Ltrs per Kg/unit	-	-

**B. Technology Absorption**

Efforts made in Technology absorption as per Form B:

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

**C. Foreign Exchange Earnings & Outgo**

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

Earned : Rs. 23536.81 lacs (Previous year Rs.15103.49 lacs)

Used : Rs.3983.04 lacs ( Previous year Rs. 3352.07 lacs )

For and on behalf of the Board

Place : Hyderabad  
Date : 26<sup>th</sup> May, 2011

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

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Corporate Governance

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

### 2. Board of Directors

The Board of Directors Consists of 6 Directors.

**Composition and category of Directors as on 31st March, 2011 is as follows:**

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

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

Name of the Director	Attendance Particulars		No. of other Directorships & Committee member / Chairmanship*			
	Board Meetings	Last AGM	Directorship including Pvt. Ltd. Cos.	Committee Membership	Committee Chairmanship	Shareholding in the Company (No.of Shares with Face Value of Rs.10/-each)
Mr. M.K. Patodia	4	Yes	8	-	None	1986713
Mrs. Anjana Patodia	4	Yes	4	4	None	514332
Mr. B.L. Singhal	4	Yes	7	4	5	9680
Mr. M.R. Vikram	4	No	12	2	1	-
Mr. V.Narayana Murthy(Nominee IDBI)	4	Yes	1	1	None	-
Mr. C.George Joseph	2	Yes	2	2	None	-

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

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

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

10 <sup>th</sup> May, 2010	28 <sup>th</sup> October, 2010
28 <sup>th</sup> May, 2010	27 <sup>th</sup> January, 2011
29 <sup>th</sup> July, 2010	

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

**REPORT ON CORPORATE GOVERNANCE (contd.)****3. Audit Committee**

The Audit Committee consists of Non-Executive Directors viz. Mr. B.L.Singhal, Chairman, Mr. V.Narayana Murthy, (upto 26-05-2011), Mr. Sanjay Panicker, (from 26-05-2011), Mr. M.R.Vikram and Mrs. Anjana Patodia. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956 and clause 49 of the listing agreement. The composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations.

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

**Attendance of each member at the Committee Meeting is as follows:**

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

The Audit Committee meetings were held on following dates:

28 <sup>th</sup> May, 2010	28 <sup>th</sup> October, 2010
29 <sup>th</sup> July, 2010	27 <sup>th</sup> January, 2011

**4. Remuneration Committee**

Remuneration Committee consists of Non-Executive Independent Directors viz. Mr. M.R. Vikram, Mr. B.L.Singhal and Mr. V.Narayana Murthy, (upto 26-05-2011)/ Mr.Sanjay Panicker (from 26-05-2011).

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

During the year one Remuneration Committee Meeting was held on 27-01-2011.

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

The aggregate of salary and perquisites paid to Mr. M.K.Patodia, Chairman & Managing Director for the year ended 31<sup>st</sup> March, 2011 was Rs.16.92 Lacs. The remuneration consisting of salary of Rs.13.00 lacs and other perquisites namely - reimbursement of Medical expenses, Club Fees, Personal accident insurance policy premium, Company's contribution to Superannuation Fund, Provident Fund and Gratuity Fund aggregating to Rs.3.92 lacs.

**Remuneration Paid to Non-Executive Directors**

No remuneration is paid to Non-Executive Directors except sitting fee at the rate of Rs. 5,000/-for each meeting of the Board, Audit and Shareholders grievance Committee Meetings.

## GTN INDUSTRIES LIMITED

### REPORT ON CORPORATE GOVERNANCE (contd.)

The fees paid for the year ended 31st March, 2011 to the Directors is as follows :

Name of the Director	Amount (in Rs.)
Mrs. Anjana Patodia	60000
Mr. B. L. Singhal	60000
Mr. M. R. Vikram	50000
M/s. IDBI Bank Ltd (for Nominee Director)	35000
Mr. C.George Joseph	10000

#### 5. Shareholders/Investors Grievance Committee

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

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

During the year under review 28 complaints were received and resolved. There was no pending complaint as on 31<sup>st</sup> March, 2011. No request for transfer of Shares was pending as on 31<sup>st</sup> March, 2011 except electronic request for 7 nos. which were dealt with by our STA on 5<sup>th</sup>, 7<sup>th</sup> and 12<sup>th</sup> April, 2011.

#### 6. General Body Meetings

6.1 Location, date and time of General meetings held during last 3 years are as under:

Year	Location	Nature of Meeting	Date	Day	Time
2007-08	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	30 <sup>th</sup> July,08	Wednesday	10.30 A.M
2008-09	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	29 <sup>th</sup> July,09	Wednesday	10.15 A.M
2009-10	Chitkul village, Patancheru Mandal, Medak Dist.,Andhra Pradesh	EGM	5 <sup>th</sup> Jan,10	Tuesday	11.00 A.M
2009-10	Chitkul village, Patancheru Mandal, Medak Dist., Andhra Pradesh	AGM	29 <sup>th</sup> July,10	Thursday	10.15 A.M

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

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

#### 7. Code of Conduct

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

#### 8. Prevention of Insider Trading

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

#### 9. Risk Management

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

**REPORT ON CORPORATE GOVERNANCE (contd.)****10. Disclosures**

- i) Disclosure on materially significant related party transactions, that may have potential conflict with the interest of the Company at large:

During the year, the Company had not entered into any transaction of a material nature with any of the related parties, which were in conflict with the interest of the Company. All transactions with the related parties were in the ordinary course of business and at arms length.

- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: **NONE**

- iii) Whistle Blower policy and affirmation that no person has been denied access to the Audit Committee:

The Company promotes ethical behavior in all its business activities and has put in place mechanism of reporting illegal or unethical behavior. Employees are free to report existing / probable violations of laws, rules, regulations or unethical conduct to their immediate supervisor / notified person. The Directors and Senior Management are obligated to maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practice.

- iv) Details of compliance with all mandatory requirements and adoption of the non-mandatory requirements of the clause.

The Company has complied with all mandatory requirements and has not deliberated about adoption of the non-mandatory requirements.

**11. Means of Communication**

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

**Half - yearly report to each household of Shareholders**

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

**Quarterly Results**

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

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

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

**12. Compliance Certificate of the Auditors**

Certificate from the Auditors of the Company, M/s. Lodha & Co., Chartered Accountants, Mumbai-400 023 confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is forming part of the Annual Report.

**13. CEO and CFO Certification**

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

**14. Share Capital Audit Report**

The Company has appointed M/s. SVJS & Associates, Practicing Company Secretaries firm, to conduct Reconciliation of Share Capital Audit Report of the Company for the Financial Year ended March 31, 2011, who have submitted their report confirming the compliance with all the applicable provisions of various corporate laws.

**15. Capital Integrity Audit**

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

**GTN INDUSTRIES LIMITED**

**REPORT ON CORPORATE GOVERNANCE (contd.)**

**16. General Shareholders Information**

- a) Annual General Meeting  
 Date and Time : Wednesday, 27<sup>th</sup> July, 2011 at 10.15 A.M.  
 Venue : Chitkul Village, Patancheru Mandal,  
 Medak Dist - 502 307, Andhra Pradesh.
- b) Financial Calendar (tentative)  
 Annual General Meeting : Wednesday, 27<sup>th</sup> July, 2011  
 Results for quarter ending 30<sup>th</sup> June, 2011 : Within 45 days from end of the quarter  
 Results for quarter ending 30<sup>th</sup> Sep, 2011 : Within 45 days from end of the quarter  
 Results for quarter ending 31<sup>st</sup> Dec, 2011 : Within 45 days from end of the quarter  
 Results for quarter / year ending 31<sup>st</sup> Mar, 2012 : Within 45 days from end of the quarter (if Unaudited) or  
 Within 60 days from end of the financial year (if Audited)
- c) Book Closure date : 25<sup>th</sup> July, 2011 to 27<sup>th</sup> July, 2011(both days inclusive)
- d) Dividend payment date : No Dividend recommended by the Board for the Year 2010-11.
- e) Listing of Equity Shares at Stock Exchanges at : Bombay Stock Exchange and National Stock Exchange  
 Annual listing fee for the year 2011-12 has been paid to BSE and NSE.
- f) (I) STOCK CODE  
 Scrip Code No : Trading Symbol : Bombay Stock Exchange : 500170  
 : National Stock Exchange : GTNIND.  
 (II) Demat ISIN Nos. in NSDL & CDSL : INE537A01013
- g) Stock Market Data :

Month & Year	Bombay Stock Exchange(BSE)		National Stock Exchange(NSE)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
Apr-10	17.40	14.25	17.75	14.60
May-10	19.30	14.05	19.30	14.50
Jun-10	27.20	15.75	27.35	15.85
Jul-10	26.75	20.55	26.50	20.25
Aug-10	26.35	22.80	25.50	22.00
Sep-10	30.40	23.00	31.00	22.30
Oct-10	33.15	25.35	33.50	24.15
Nov-10	36.50	25.35	34.90	24.15
Dec-10	31.50	23.55	30.50	22.15
Jan-11	32.60	23.55	29.90	23.15
Feb-11	25.50	21.05	25.60	18.25
Mar-11	23.50	19.25	24.00	19.00

**REPORT ON CORPORATE GOVERNANCE** (contd.)

- h) Registrar and Transfer Agents : **Integrated Enterprises (India) Ltd.**  
2nd Floor, "Kences Towers", No. 1, Ramakrishna Street,  
North Usman Road, T. Nagar, Chennai - 600 017.  
Ph : 044-28140801 - 03 Fax : 044-28142479  
E-mail: corpserv@iepindia.com
- i) Share Transfer System : Presently, the share transfers which are received in physical form are processed and the Share Certificates are returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. As regards shares held in Electronic form, the credit being given as per guidelines/bye-laws issued by SEBI and NSDL / CDSL.
- j) i) Shareholding pattern as on 31<sup>st</sup> March, 2011 :

S.No.	Category	No. of shares	%
1	Promoters & Associates	13092188	74.64
2	Indian Financial Institutions, Banks and Mutual Funds	4653	0.03
3	Others	4443537	25.33
	<b>TOTAL</b>	<b>17540378</b>	<b>100.00</b>

- ii) Distribution of Shareholding as on 31<sup>st</sup> March, 2011 :

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of holding
Up to 100	20646	87.51	643193	3.67
101 – 500	1978	8.39	549590	3.13
501 – 1000	468	1.98	392013	2.24
1001 – 10000	444	1.88	1226586	6.99
10001 – 100000	48	0.20	1290496	7.36
Above 100000	9	0.04	13438500	76.61
<b>Total</b>	<b>23593</b>	<b>100.00</b>	<b>17540378</b>	<b>100.00</b>

- k) Dematerialisation of Shares and Liquidity of Shares:

The Shares of the Company are compulsorily traded in **DEMAT** form by all categories of investors w.e.f 28<sup>th</sup> August 2000. The Company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. As on **31<sup>st</sup> March, 2011, 93.32%** Equity shares of the company were held in dematerialized form.

Liquidity of Shares

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

**GTN INDUSTRIES LIMITED**

**REPORT ON CORPORATE GOVERNANCE (contd.)**

l) Plant Locations

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

m) Investor Correspondence

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

i) **For Shares held in Physical form:**  
Registrar and Share Transfer Agent

ii) **For Shares held in Demat form:**  
To the Depository Participants

ii) Any query on Annual Report

**Secretarial Department,**  
GTN INDUSTRIES LIMITED  
Plot No. 29, Nagarjuna Hills, Punjagutta,  
Hyderabad - 500 082, Andhra Pradesh.  
Tel : 040 - 4340 7804 / 811, Fax : 040 - 23358400  
E-mail : sharedept@gtnindustries.com /  
: hyd1\_patodia@gtnindustries.com

The above report was adopted by Board of Directors at their meeting held on 26th May, 2011.

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

**TO  
THE MEMBERS OF  
GTN INDUSTRIES LIMITED**

1. We have examined the compliance of conditions of Corporate Governance by **GTN INDUSTRIES LIMITED** (the Company) for the year ended 31<sup>st</sup> March, 2011, as stipulated in clause 49 of the Listing Agreement entered into by the Company, with the Stock Exchanges of India.
2. The Compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was carried out in accordance with Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. On the basis of our review and according to the information and explanations given to us and representation made by the management, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchanges have been complied with in all material respects by the Company.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For Lodha & Company,**  
Chartered Accountants,

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

Place : Mumbai  
Date : 26<sup>th</sup> May, 2011

## MANAGEMENT DISCUSSION & ANALYSIS

### 1. INDUSTRY STRUCTURE & DEVELOPMENTS

The Textile Industry is one of the oldest Industry in the country and plays a vital role in the Indian economy in terms of Industrial Production, Employment and Foreign Exchange earnings. The Textile Industry has achieved a good growth in last two decades in terms of installed spindles and yarn production. India's installed spindles were expanded to 44.32 million as on December, 2010, accounting for 20 per cent of world's spindleage. This could happen due to buoyant domestic and international demand and conducive Government Policies. This sector contributed to forex earnings around 11 per cent in 2010-11 and also employs about 3.5 crores workers directly. In addition, the industry helps to develop many related ancillary industries which generates further employment.

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

However, the markets became buoyant during 2010-11 on account of strong export and domestic demand arising from favourable demographic factor and rapid changes in the lifestyle of consumers. Although currently there is a temporary slowdown in demand both in the domestic and international markets, the overall sentiments are positive and optimistic for the sustained growth in demand. Another favourable factor is that in the coming cotton season, Indian cotton crop is expected to be higher and prices are forecasted to be relatively lower than the current levels. The cumulative impact of all these favourable factors gives indication for the reasonable working of textile industry.

#### COTTON SCENARIO

As per the Cotton Advisory Board, cotton crop for 2010-11 was 312 lac bales which is 5.8% higher than last year's production of 295 lac bales. The demand/consumption was 275 lac bales which is 10% higher than 2009-10 and 20% higher than 2008-09 consumption. Due to the increased cotton prices in this year, the estimated cultivation area is 111.61 lac hectare which is higher than 8.25% of 2009-10. It has been estimated that the next year crop will be around 350 lac bales approximately.

As per the metrological information, the monsoons are expected to be normal this year. According to ICAC, global production of cotton in the season 2009-10 (August-July) was 22 million tons and consumption was 25 million tons. Since consumption was higher than production, ending stocks declined to 8.6 million tons, as against 12.75 million tons in 2008-09. This led to massive increase in cotton prices. For the cotton season 2010-11, global production is estimated higher by 13 per cent at 24.8 million tons and consumption at 25.1 million tons, with lower ending stocks of 8.4 million tons.

For the cotton season 2011, the ICAC has projected that world cotton production will increase again by 11 per cent to 27.6 million tons. The consumption will be higher at 25.8 million tons as compared to the previous season. Since the production will be higher than consumption, ending stocks will rise to 10.1 million tons. The world ending stocks-to-use ratio, forecast to reach an all-time low of 33 per cent this season, could rebound to 39 per cent in 2011-12. This would be lower than the 10 year average of 49 per cent prevailing prior to 2009-10.

#### MARKETING

India is a large supplier of cotton yarn in the world. Due to recession during 2009 in global markets, volume and value of exports have come down significantly. However, from January, 2010, overall exports are \$ 245.9 billion which has surpassed the Government's target of \$ 200 billion with an overall growth of 37.6% in exports. Your Company is mainly in exports of medium, fine and superfine combed yarn and it has been constantly focusing its efforts to cater to high end users. The Company maintained excellent relations with all its overseas customers who have been dealing with the Company over the years, by adhering to quality standards, delivery schedules and competitive prices. The demand in domestic market is also improving for woven and garment sector and gradually Company expects to have higher sales in domestic market.

#### FOREIGN EXCHANGE RISK

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

In last 3 years exchange rate has been quite volatile. In 2008-09 dollar was appreciated by 28% over 2007-08. In 2009-10 Rupee was appreciated by 11.91% and reached to Rs.45.10. Since then the dollar exchange rate has been between Rs. 44.20 to Rs. 46.70. At present the dollar is stable around Rs.45. The company expects to realise its exports at current rate. The management is quite aware about volatile exchange rates and plans to mitigate this risk by taking appropriate forward cover on the basis of orders booked and other liabilities payable in foreign currency.

**MANAGEMENT DISCUSSION & ANALYSIS (contd.)****2. OPPORTUNITIES, THREATS AND CONCERN**

The future of Indian Textile industry is highly depending on availability of raw material at a competitive price. With the introduction of Hybrids and BT Cotton, the cotton production in India is increasing every year and it is expected that the supply of quality cotton will be comfortable in the coming season 2011-12.

Chinese exports of Textiles and clothing are declining especially to USA, thus, provides an opportunity to India for improving its export performance. In long run, the prospects of Indian Textile Industry seems to be bright. However, fluctuation in cotton price, exchange rates, availability of labour, increasing interest rates to contain the inflation and power are threats to the industry. Withdrawal of Duty Drawback is another set back to the industry.

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

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

**3. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE**

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

**4. OUTLOOK**

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

The year 2010-11 has witnessed significant increase in demand both in domestic and export market though the 1<sup>st</sup> quarter of the current year is showing declining demand trend, which appears to be temporary and outlook for the Indian spinning industry seems to be promising.

**5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

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

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

**6. FINANCIAL AND OPERATIONAL PERFORMANCE**

Please refer Director's Report on performance review.

**7. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS (INCLUDING NUMBER OF PEOPLE EMPLOYED)**

The Company recognises the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been adopting methods and practices for Human Resources Development. With utmost respect to human values, Company served its human resources with integrity through a variety of services by using appropriate training, motivation techniques and employee welfare activities etc. Industrial relations were cordial and satisfactory during the year under review. As on 31<sup>st</sup> March 2011, the Company has about 1870 (including trainees, casuals etc.) employees in its various Offices and Plants.

**8. CAUTIONARY STATEMENT**

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

**AUDITORS' REPORT****TO  
THE MEMBERS  
GTN INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of **GTN INDUSTRIES LIMITED** as at 31st March, 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Act, to the extent applicable;
  - (e) On the basis of written representations received from directors as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes to Accounts in Schedule 18 and other notes appearing elsewhere in the accounts, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - ii) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For LODHA & COMPANY**  
Chartered Accountants

**A.M. Hariharan**  
Partner

M. No.: 38323

Firm Registration No.: 301051E

Place : Mumbai  
Date : 26<sup>th</sup> May, 2011

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011.**

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

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The assets have been physically verified by the management in accordance with the phased programme of verification adopted by the Company, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. According to the information and explanations given to us, no material discrepancies between the book records and physical inventory were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, no substantial part of the fixed assets has been disposed off by the Company during the year.
- (ii) (a) As per the information furnished, the inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material in relation to the operations of the Company and have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, paragraphs iii(b), iii(c) and iii(d) of the said Order are not applicable.
- (b) The Company has taken unsecured loans by way of fixed deposits from six parties covered in the register maintained under Section 301 of the Act. Maximum amount involved during the year and the year-end balances of such loans were Rs. 165.05 lacs and Rs. 45.30 lacs, respectively.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which such loans have been taken by the Company are, prima facie, not prejudicial to the interest of the Company.
- (d) The Company is regular in repayment of principal amount and interest thereon as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of special nature and suitable alternate sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us and having regard to what is stated in para (iv) above, the transactions made in pursuance of such contracts or arrangements aggregating during the year to Rs. 5,00,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Order of the Central Government under Section 209(1)(d) of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given and records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company with the appropriate authorities. No undisputed amounts payable in respect

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011. (contd.)**

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

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

S. No.	Name of the Dues	Amount (Rs. in lacs)	Year	Forum where the dispute is pending
1.	Customs Duty Drawback	18.69	1998-99	Madras High Court
2.	Disputed CENVAT Claim	2.68	2010-2011	CESTAT, Bangalore
3.	Cess on Captive Generation	15.78	2004-05 to 2010-11	Andhra Pradesh High Court
4.	Sales Tax	2.56	2002-03 and 2003-04	Appellate Deputy Commissioner, Nagpur
5.	Agricultural Marketing Cess	13.75	2010-11	Andhra Pradesh High Court
6.	Income Tax	88.11	Assessment Year 2002-03, 2003-04 and 2004-05	Kerala High Court
7.	Income Tax	353.14	Assessment Year 2005-06	Income Tax Appellate Tribunal and Commissioner of Income Tax

- (x) The Company does not have any accumulated losses as at 31<sup>st</sup> March, 2011 and it has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the nature of the activities of the Company does not attract any special statute applicable to the chit fund and nidhi / mutual benefit fund / societies.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us and in our opinion, the term loans were applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Cash Flow Statement and Balance Sheet of the Company, in our opinion, the funds raised on short-term basis have, prima facie, not been used for long term investment.
- (xviii) Pursuant to the financial restructuring Scheme approved by the CDR, during the year the Company has made preferential allotment of Equity Shares to two companies covered in the Register maintained under Section 301 of the Act at a price determined in accordance with the SEBI guidelines and accordingly, it is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year or in the recent past.
- (xx) The Company has not raised any money by way of public issues during the year or in the recent past.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the management.

**For LODHA & COMPANY**  
Chartered Accountants

**A.M. Hariharan**  
Partner

M. No.: 38323

Firm Registration No.: 301051E

Place : Mumbai

Date : 26<sup>th</sup> May, 2011

**GTN INDUSTRIES LIMITED**

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

		SCHEDULES	As at 31.03.2011 (Rs. in Lacs)	As at 31.03.2010 (Rs. in Lacs)
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	1		1754.96	1154.96
Reserves & Surplus	2		3451.41	2361.45
			<u>5206.37</u>	<u>3516.41</u>
<b>Loan Funds</b>				
Secured Loans	3		19472.38	19555.24
Unsecured Loans	4		1127.41	1173.77
			<u>20599.79</u>	<u>20729.01</u>
<b>Deferred Tax Liability (Net)</b>			1660.13	857.54
	<b>TOTAL</b>		<u>27466.29</u>	<u>25102.96</u>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	5		31325.66	31257.04
Less : Depreciation			15993.20	15210.67
Net Block			15332.46	16046.37
Capital Work-In-Progress			410.12	30.39
			<u>15742.58</u>	<u>16076.76</u>
<b>Assets held for disposal</b>			11.29	15.72
<b>Investments</b>	6		0.05	0.05
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	7		9282.36	6488.48
Sundry Debtors			3036.17	2037.31
Cash & Bank Balances			1034.40	629.10
Other Current Assets			997.46	1132.94
Loans & Advances			1976.83	1305.90
			<u>16327.22</u>	<u>11593.73</u>
<b>Less:Current Liabilities &amp; Provisions</b>	8			
Current Liabilities			4093.32	2451.21
Provisions			521.53	132.09
			<u>4614.85</u>	<u>2583.30</u>
<b>Net Current Assets</b>			<u>11712.37</u>	<u>9010.43</u>
	<b>TOTAL</b>		<u>27466.29</u>	<u>25102.96</u>
Significant Accounting Policies and Notes to Accounts	18			
Schedules 1 to 8 and 18 form an integral part of the Balance Sheet.				

As per our report of even date attached  
For **LODHA & COMPANY**  
Chartered Accountants

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

**A.M. HARIHARAN**  
Partner

**P. PRABHAKARA RAO**  
Company Secretary

Place : Mumbai  
Date : 26th May, 2011

Place : Hyderabad  
Date : 26th May, 2011

**For and on behalf of the Board**

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

**ANJANA PATODIA**

**B.L. SINGHAL**

**SANJAY PANICKER**

} Directors

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

	SCHEDULES	For the Year Ended 31.03.2011 (Rs. in Lacs)		For the Year Ended 31.03.2010 (Rs. in Lacs)	
<b>INCOME</b>					
Sales	9		<b>39912.18</b>		27305.15
Other Income	10		<b>37.08</b>		149.39
Increase/(Decrease) in Stocks	11		<b>646.14</b>		(830.01)
	<b>TOTAL</b>		<b><u>40595.40</u></b>		<b><u>26624.53</u></b>
<b>EXPENDITURE</b>					
Cost of Materials	12		<b>25731.91</b>		16373.69
Personnel Expenses	13		<b>2487.51</b>		2202.71
Manufacturing Expenses	14		<b>4665.35</b>		3849.29
Sales & Distribution Expenses	15		<b>1553.53</b>		1112.68
Interest Charges	16		<b>1827.66</b>		1433.81
Other Expenses	17		<b>1013.62</b>		810.80
Depreciation		<b>1554.75</b>		1580.03	
Less: Transfer from Revaluation Reserve		<b>8.45</b>		10.74	
	<b>TOTAL</b>		<b><u>1546.30</u></b>		<b><u>1569.29</u></b>
			<b><u>38825.88</u></b>		<b><u>27352.27</u></b>
<b>Profit/(Loss) before Exceptional items and Tax</b>			<b>1769.52</b>		(727.74)
Exceptional Items(net)			-		(229.92)
<b>Profit/(Loss) before Tax</b>			<b>1769.52</b>		(957.66)
Provision for Deferred Tax(Credit)			<b>802.59</b>		(356.36)
Provision for Income Tax(MAT)			<b>375.00</b>		-
Provision for Income Tax for earlier years			<b>(0.11)</b>		-
MAT Credit entitlement			<b>(359.00)</b>		-
<b>Net Profit/(Loss) after Taxation for the year</b>			<b>951.04</b>		(601.30)
Transfer from General Reserve			-		601.30
<b>Surplus carried over to Balance Sheet</b>			<b>951.04</b>		-
<b>Basic and Diluted EPS (Face value of Rs.10 each)</b>					
Before Exceptional Items			<b>5.63</b>		(3.22)
After Exceptional Items			<b>5.63</b>		(5.21)
Significant Accounting Policies and Notes to Accounts		18			
Schedules 9 to 18 form an integral part of the Profit & Loss Account.					

As per our report of even date attached  
For **LODHA & COMPANY**  
Chartered Accountants

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

**A.M. HARIHARAN**  
Partner

**P. PRABHAKARA RAO**  
Company Secretary

Place : Mumbai  
Date : 26th May, 2011

Place : Hyderabad  
Date : 26th May, 2011

**For and on behalf of the Board**

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

**ANJANA PATODIA**

**B.L. SINGHAL**

**SANJAY PANICKER**

} Directors

**GTN INDUSTRIES LIMITED**

<b>SCHEDULES FORMING PART OF THE BALANCE SHEET</b>				
	<b>As at 31.03.2011 (Rs. in Lacs)</b>		<b>As at 31.03.2010 (Rs. in Lacs)</b>	
	<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
2,00,00,000 Equity Shares of Rs. 10 each		<b>2000.00</b>		2000.00
35,00,000 Redeemable Preference Shares of Rs.100 each		<b>3500.00</b>		3500.00
		<b><u>5500.00</u></b>		<u>5500.00</u>
<b>ISSUED</b>				
1,75,58,778 Equity shares of Rs.10 each (Previous Year 1,15,58,778)		<b><u>1755.88</u></b>		<u>1155.88</u>
		<b><u>1755.88</u></b>		<u>1155.88</u>
<b>SUBSCRIBED, CALLED UP AND PAID UP</b>				
1,75,58,778 Equity Shares of Rs.10 each fully paid up (Previous Year 1,15,58,778) of the above:	<b>1755.88</b>		1155.88	
(i) 42,00,000 Equity Shares were allotted as fully paid up Bonus Shares by capitalization of Free Reserves				
(ii) 60,00,000 Equity Shares were allotted on preferential basis to promoter group companies as per sanctioned CDR package in 2010-11				
Less: Shares forfeited (18400 Equity Shares of Rs.10 each; Rs. 5 paid up thereon)	<b>0.92</b>	<b><u>1754.96</u></b>	<u>0.92</u>	<u>1154.96</u>
<b>TOTAL</b>		<b><u>1754.96</u></b>		<u>1154.96</u>
<b>SCHEDULE 2</b>				
<b>RESERVES &amp; SURPLUS</b>				
<b>AMALGAMATION RESERVE</b>				
Balance as per last Balance Sheet		<b>621.49</b>		621.49
<b>SECURITIES PREMIUM ACCOUNT</b>				
Balance as per last Balance Sheet	<b>962.08</b>		962.08	
Add:Additions during the year	<b>150.00</b>	<b>1112.08</b>	-	962.08
<b>REVALUATION RESERVE</b>				
Balance as per last Balance Sheet	<b>60.02</b>		74.32	
Less : Transfer to Profit & Loss Account	<b>8.45</b>		10.74	
Less : Withdrawals on fixed assets sold / discarded	<b>2.63</b>	<b>48.94</b>	3.56	60.02
<b>GENERAL RESERVE</b>				
Balance as per last Balance Sheet	<b>717.86</b>		1319.16	
Less:Transfer to Profit & Loss Account	-	<b>717.86</b>	<u>601.30</u>	717.86
<b>SURPLUS AS PER PROFIT &amp; LOSS ACCOUNT</b>		<b><u>951.04</u></b>		-
<b>TOTAL</b>		<b><u>3451.41</u></b>		<u>2361.45</u>
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
<b>I. TERM LOANS</b>				
(a) from a Financial Institution				
Rupee Loans	<b>4679.61</b>		4890.62	
Interest Accrued and Due thereon	-	<b>4679.61</b>	<u>15.85</u>	4906.47
(b) from Banks				
(i) Rupee Loans	<b>7855.45</b>		7633.79	
Interest Accrued and Due thereon	-	<b>7855.45</b>	<u>22.93</u>	7656.72
<b>II. HIRE PURCHASE LOANS FROM BANKS</b>		<b>0.82</b>		2.98
<b>III. WORKING CAPITAL LOANS FROM BANKS</b>		<b><u>6936.50</u></b>		<u>6989.07</u>
<b>TOTAL</b>		<b><u>19472.38</u></b>		<u>19555.24</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)****Notes**

- I. a) Term loans are secured by first charge on all immovable assets, both present and future, by way of equitable mortgage and hypothecation of all movable fixed assets of the Company (excluding assets purchased on hire purchase basis /exclusive charge basis - as referred to in Note No. (1b) below) and further secured by way of a second charge, on the current assets as mentioned in para III below, present and future, ranking pari-passu, inter-se among the term lenders. These loans are further guaranteed personally by the Managing Director and also secured by pledge of Equity Shares to the extent of 51% of promoters' holding.
- b) One of the Term Loans amounting to Rs. 570 lacs availed from a Bank during the year is secured on exclusive charge basis on the specific machinery acquired out of the said loan.
- II. Hire Purchase Loan is secured by hypothecation of vehicle purchased thereagainst.
- III. Working Capital loans and Non-Fund Based limits of Rs.2074.21 Lacs (Previous Year Rs. 958.73 Lacs) are secured by a first charge by way of hypothecation of current assets of the Company, both present and future and by way of second charge on the fixed assets mentioned in para (I) above, ranking pari-passu, inter-se among working capital Banks. These loans / Non-fund based facilities are further guaranteed by the Managing Director and also secured by pledge of Equity Shares to the extent of 51% of promoters' holding.

**SCHEDULE 4  
UNSECURED LOANS**

Fixed Deposits from :

Directors

Others

(Payable in one year Rs.77.50 Lacs;  
Previous Year Rs. 82.55 Lacs)**DEFERRED LIABILITY**Interest free incentive under Sales Tax Deferral Scheme of  
Government of Andhra Pradesh(Payable in one year Rs.12.74 Lacs;  
Previous Year Nil )**TOTAL**

As at 31.03.2011 (Rs. in Lacs)		As at 31.03.2010 (Rs. in Lacs)	
2.90		52.60	
<u>100.30</u>	103.20	<u>155.45</u>	208.05
	1024.21		965.72
	<u>1127.41</u>		<u>1173.77</u>

**SCHEDULE 5  
FIXED ASSETS****(Rs. in Lacs)**

DESCRIPTION OF ASSETS	GROSS BLOCK (AT COST OR BOOK VALUE)*				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions/ Adjustments	As at 31.03.2011	Upto 31.03.2010	For the Year	Deductions/ Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land-Freehold	88.16	-	-	88.16	-	-	-	-	88.16	88.16
Buildings	5409.13	0.79	-	5409.92	2337.63	187.73	-	2525.36	2884.56	3071.50
Plant & Machinery	22873.38	1034.92	529.48	23378.82	11100.57	1223.95	340.86	11983.66	11395.16	11772.81
Electrical Installations	2300.78	29.67	313.00	2017.45	1361.49	110.55	269.01	1203.03	814.42	939.29
Furniture & Office Equipments	399.97	22.20	176.48	245.69	304.74	16.69	162.35	159.08	86.61	95.23
Vehicles**	185.62	-	-	185.62	106.24	15.83	-	122.07	63.55	79.38
<b>TOTAL</b>	31257.04	1087.58	1018.96	31325.66	1210.67	1554.75	772.22	15993.20	15332.46	16046.37
Previous Year	31568.54	599.12	910.62	31257.04	14254.07	1580.03	623.43	15210.67	16046.37	
Capital Work - in Progress(at cost) Plant & Machinery									410.12	30.39

\*Refer Note No. 8 in Schedule 18

\*\*includes cost of Vehicles Rs.8.27 lacs (Previous Year Rs.18.52 lacs); net block Rs.4.40 lacs (Previous Year Rs. 12.81lacs) acquired on Hire purchase basis.

**GTN INDUSTRIES LIMITED**

<b>SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)</b>				
	<b>As at 31.03.2011 (Rs. in Lacs)</b>		<b>As at 31.03.2010 (Rs. in Lacs)</b>	
<b>SCHEDULE 6</b>				
<b>INVESTMENTS (LONG TERM) (FULLY PAID UP)</b>				
IN GOVT.SECURITIES - UNQUOTED				
6 Year National Savings Certificates		<b>0.05</b>		0.05
<b>TOTAL</b>		<u><b>0.05</b></u>		<u>0.05</u>
<b>SCHEDULE 7</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>CURRENT ASSETS</b>				
INVENTORIES (As taken, valued and certified by the Management)				
Stores and Spares		<b>185.58</b>		183.35
Stock-in-Trade:				
Raw Materials		<b>5397.04</b>		3251.53
Goods-in-Process		<b>1038.87</b>		1055.87
Finished Goods		<b>2616.56</b>		1982.75
Waste Stock		<b>44.31</b>		14.98
		<u><b>9282.36</b></u>		<u>6488.48</u>
SUNDRY DEBTORS				
UNSECURED				
Over Six months - Considered Good		<b>338.95</b>		347.80
Considered Doubtful	<b>19.03</b>		11.36	
Less:Provision for Doubtful Debts	<u><b>19.03</b></u>	-	<u>11.36</u>	-
Other Debts - Considered Good		<b>2697.22</b>		1689.51
		<u><b>3036.17</b></u>		<u>2037.31</u>
CASH AND BANK BALANCES				
Cash on Hand		<b>4.89</b>		8.81
Balances with Scheduled Banks:				
Current Accounts	<b>450.55</b>		274.39	
Margin Money Accounts	<b>528.30</b>		292.18	
Other Deposit Accounts	<b>36.67</b>		35.28	
Unpaid Dividend Accounts	<u><b>13.99</b></u>	<b>1029.51</b>	<u>18.44</u>	620.29
		<u><b>1034.40</b></u>		<u>629.10</u>
OTHER CURRENT ASSETS				
Export Incentive Receivable		<b>87.71</b>		422.10
Interest Rebate Receivable		<b>388.30</b>		337.89
Interest accrued on Deposits / Investments		<b>23.31</b>		21.25
Excise/Service Tax/Sales Tax receivable		<b>498.14</b>		351.70
		<u><b>997.46</b></u>		<u>1132.94</u>

<b>SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)</b>				
	<b>As at 31.03.2011 (Rs. in Lacs)</b>		<b>As at 31.03.2010 (Rs. in Lacs)</b>	
	<b>LOANS AND ADVANCES</b> (Unsecured, Considered Good)			
Advances recoverable in cash or in kind or for value to be received				
Capital Advances	<b>188.70</b>		59.68	
Other Advances	<b><u>1292.55</u></b>	<b>1481.25</b>	<u>969.43</u>	1029.11
Deposits		<b>228.68</b>		227.95
Advance Income Tax (including Tax Deducted at Source)		<b>266.90</b>		48.84
		<u><b>1976.83</b></u>		<u>1305.90</u>
<b>TOTAL</b>		<b><u>16327.22</u></b>		<u>11593.73</u>
<b>SCHEDULE 8</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors :				
Due to Micro, Small & Medium Enterprises (Refer Note No.5 in Schedule 18)	-		-	
Due to Others	<b><u>3330.27</u></b>	<b>3330.27</b>	<u>2139.56</u>	2139.56
Advances from Customers		<b>539.68</b>		150.15
Interest accrued but not due on loans		<b>26.95</b>		18.85
<b>INVESTORS' PROTECTION FUND</b>				
Unpaid Dividend on Equity Share Capital (To be deposited on completion of 7 years)		<b>13.99</b>		18.44
Other Liabilities		<b><u>182.43</u></b>		<u>124.21</u>
		<b><u>4093.32</u></b>		<u>2451.21</u>
<b>PROVISIONS</b>				
Provision for Wealth Tax		<b>0.24</b>		0.41
Provision for Income Tax		<b>375.00</b>		-
Provision for Employee Benefits:				
Gratuity	<b>103.61</b>		83.18	
Leave Entitlements	<b><u>42.68</u></b>	<b>146.29</b>	<u>48.50</u>	<u>131.68</u>
		<u><b>521.53</b></u>		<u>132.09</u>
<b>TOTAL</b>		<b><u>4614.85</u></b>		<u>2583.30</u>

**GTN INDUSTRIES LIMITED**

<b>SCHEDULES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNT</b>				
	<b>For the Year Ended 31.03.2011 (Rs. in Lacs)</b>		<b>For the Year Ended 31.03.2010 (Rs. in Lacs)</b>	
<b>SCHEDULE 9</b>				
<b>SALES</b>				
Finished Goods:				
Exports		<b>11543.54</b>		8786.98
Local		<b>14500.62</b>		9776.70
Traded Goods:				
Exports		<b>12414.42</b>		6790.64
Waste Sales		<b>1181.07</b>		846.39
Export Incentives		<b>129.71</b>		956.73
Job Work Charges		<b>142.82</b>		147.71
	<b>TOTAL</b>	<b><u>39912.18</u></b>		<b><u>27305.15</u></b>
<b>SCHEDULE 10</b>				
<b>OTHER INCOME</b>				
Insurance Claims	<b>8.43</b>		15.25	
Sundry Balances Written Back (Net)	<b>12.31</b>		9.68	
Gain on Foreign Exchange Fluctuations (Net)	<b>0.88</b>		112.91	
Miscellaneous Receipts	<b>15.46</b>	<b><u>37.08</u></b>	<u>11.55</u>	<u>149.39</u>
	<b>TOTAL</b>	<b><u>37.08</u></b>		<b><u>149.39</u></b>
<b>SCHEDULE 11</b>				
<b>INCREASE/(DECREASE) IN STOCKS</b>				
CLOSING STOCK:				
Finished Goods	<b>2616.56</b>		1982.75	
Goods-in-process	<b>1038.87</b>		1055.87	
Waste	<b>44.31</b>	<b>3699.74</b>	<u>14.98</u>	3053.60
LESS: OPENING STOCK:				
Finished Goods	<b>1982.75</b>		2993.32	
Goods-in-process	<b>1055.87</b>		871.15	
Waste	<b>14.98</b>	<b>3053.60</b>	<u>19.14</u>	<u>3883.61</u>
	<b>TOTAL</b>	<b><u>646.14</u></b>		<b><u>(830.01)</u></b>
<b>SCHEDULE 12</b>				
<b>COST OF MATERIALS</b>				
Opening Stock		<b>3251.53</b>		2054.96
Add:Purchases		<b><u>16712.13</u></b>		<u>10426.13</u>
		<b>19963.66</b>		12481.09
Less:Closing Stock		<b><u>5397.04</u></b>		<u>3251.53</u>
Raw Materials Consumed		<b>14566.62</b>		9229.56
Purchase of Traded Goods		<b><u>11165.29</u></b>		<u>7144.13</u>
	<b>TOTAL</b>	<b><u>25731.91</u></b>		<b><u>16373.69</u></b>
<b>SCHEDULE 13</b>				
<b>PERSONNEL EXPENSES</b>				
Salaries, Wages and Bonus		<b>2122.69</b>		1868.10
Contribution to Provident and Other Funds		<b>205.23</b>		201.50
Welfare Expenses		<b>159.59</b>		133.11
	<b>TOTAL</b>	<b><u>2487.51</u></b>		<b><u>2202.71</u></b>

<b>SCHEDULES FORMING PART OF THE PROFIT &amp; LOSS ACCOUNT (contd.)</b>				
	<b>For the Year Ended 31.03.2011 (Rs. in Lacs)</b>		<b>For the Year Ended 31.03.2010 (Rs. in Lacs)</b>	
<b>SCHEDULE 14</b>				
<b>MANUFACTURING EXPENSES</b>				
Processing Charges		43.08		32.63
Power & Fuel		2653.91		2329.32
Stores and Spares		1095.95		734.74
Dyes and Chemicals Consumed		485.02		375.33
Repairs and Maintenance:				
Building	101.75		47.43	
Plant & Machinery	203.45		230.45	
Others	82.19	<u>387.39</u>	<u>99.39</u>	<u>377.27</u>
<b>TOTAL</b>		<u><b>4665.35</b></u>		<u><b>3849.29</b></u>
<b>SCHEDULE 15</b>				
<b>SALES AND DISTRIBUTION EXPENSES</b>				
Commission & Brokerage		588.42		417.25
Freight, Forwarding and Other Expenses		965.11		695.43
<b>TOTAL</b>		<u><b>1553.53</b></u>		<u><b>1112.68</b></u>
<b>SCHEDULE 16</b>				
<b>INTEREST CHARGES</b>				
On Fixed Loans and Deposits		1299.35		934.17
On Others (Net)		528.31		499.64
(Refer Note No.9 in Schedule 18)				
<b>TOTAL</b>		<u><b>1827.66</b></u>		<u><b>1433.81</b></u>
<b>SCHEDULE 17</b>				
<b>OTHER EXPENSES</b>				
Insurance		73.41		67.36
Rates & Taxes		84.89		32.48
Rent		8.43		6.16
Electricity Charges		24.89		20.53
Auditors' Remuneration		11.61		8.30
Directors' Sitting Fees		2.15		2.15
Communication Charges		26.73		23.88
Postage & Courier Charges		11.48		13.45
Donation		0.55		0.30
Travelling & Conveyance		120.51		101.42
Printing & Stationery		33.06		25.55
Advertisement		7.29		1.84
Bank & Finance Charges		233.23		193.77
Excise Duty		7.07		2.54
Loss on fixed assets sold/held for disposal		110.82		162.05
Loss on fixed assets written off		112.82		-
Provision for Doubtful Debts		7.67		11.36
Miscellaneous Expenses		137.01		137.66
<b>TOTAL</b>		<u><b>1013.62</b></u>		<u><b>810.80</b></u>

## GTN INDUSTRIES LIMITED

### NOTES FORMING PART OF ACCOUNTS

#### SCHEDULE 18

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### A) GENERAL

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

##### B) FIXED ASSETS

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

##### C) INVESTMENTS

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

##### D) INVENTORIES

Inventories are valued at lower of cost and net realizable value. Cost of Raw Material is computed by using "Specific Identification" method and for other inventories "Weighted Average" method. The cost in case of finished goods includes cost of purchase, cost of conversion and other costs (on the basis of normal operating capacity) incurred in bringing the inventories to their present location and condition.

##### E) SALES

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

##### F) BORROWING COST

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

##### G) DEPRECIATION

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

Depreciation in respect of various units is provided as below:

- a) MEDAK SPINNING UNIT: Depreciation on Plant & Machinery and Electrical Installations (including revalued assets) installed upto 31<sup>st</sup> March, 1992 has been charged under Written Down Value Method and on additions thereafter under Straight Line Method. In respect of other assets (including revalued assets) depreciation has been charged under Written Down Value Method.
- b) MEDAK DOUBLING UNIT: Depreciation is provided on Written Down Value Method.
- c) Other Units (Nagpur Spinning Unit, Shadnagar Yarn Processing Unit and Knitting Unit): Depreciation is provided on Straight Line Method.

**NOTES FORMING PART OF ACCOUNTS (contd.)****H) EMPLOYEE BENEFITS**

## a) PROVIDENT FUND

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

## b) SUPERANNUATION

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

## c) GRATUITY

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

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

**I) FOREIGN CURRENCY TRANSACTIONS**

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

**J) TAXATION**

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

**K) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

2. Estimated amount of contracts remaining to be executed on capital account and are not provided for: Rs. 525.08 lacs (Previous Year Rs. 418.32 lacs); net of advances of Rs. 188.70 lacs (Previous Year Rs. 59.68 lacs).

3. Contingent Liabilities not provided for in respect of :

Disputed demands for taxes, duties and other claims not acknowledged as debts:

Duty Drawback and Excise Duty : Rs.22.04 lacs (excluding interest) (Previous Year Rs. 18.69 lacs). Income Tax Rs. 441.25 lacs (Previous Year Rs.88.11 lacs). Others: Rs.88.39 lacs (Previous Year Rs. 47.61 lacs).

4. a) Account of certain creditors, debtors and advances given are subject to confirmation and reconciliation/adjustment, if any. However, in the opinion of management, there would not be any material impact on the financial statements.

b) In the opinion of the Board, 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 other known liabilities is adequate and not in excess of the amount reasonably necessary.

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

## 6. EMPLOYEE BENEFIT PLANS

The following table set out the status of the gratuity plan as required under AS 15:

**GTN INDUSTRIES LIMITED**
**NOTES FORMING PART OF ACCOUNTS (contd.)**
**Reconciliation of Benefit Obligations and Planned Assets**
**(Rs. in Lacs)**

<b>Change in Defined obligation</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Obligation at the beginning of the year	<b>283.60</b>	261.18
Interest cost	<b>22.69</b>	20.89
Current Service cost	<b>19.86</b>	19.63
Benefits paid	<b>19.55</b>	53.63
Actuarial (gain)/loss in obligations	<b>13.43</b>	35.53
Obligation at year end	<b>320.03</b>	283.60

**(Rs. in Lacs)**

<b>Change in Fair Value of Planned Assets</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Fair value of planned assets at the beginning of the year	<b>200.42</b>	209.88
Expected return on the planned assets	<b>18.42</b>	17.09
Contributions by the employer	<b>17.13</b>	27.08
Benefits paid	<b>19.55</b>	53.63
Actuarial gain/(loss) on planned assets	-	-
Fair value of planned assets at year end	<b>216.42</b>	200.42

**(Rs. in Lacs)**

<b>Reconciliation or Present Value of the obligation and the Fair Value of the Planned Assets</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Liability at year end	<b>320.03</b>	283.60
Fair value of planned assets at year end	<b>216.42</b>	200.42
Liability recognized in the Balance Sheet	<b>103.61</b>	83.18

**(Rs. in Lacs)**

<b>Assumptions</b>	<b>As at March 31, 2011</b>	<b>As at March 31, 2010</b>
Discount Rate	<b>8%</b>	8%
Expected Rate of Return on planned assets	<b>8%</b>	8%
Salary Escalation Rate	<b>4% to 6%</b>	4%

With respect to compensated absences (leave entitlements), liability recognized in the Balance Sheet as on March 31, 2011 is Rs 42.68 lacs (Previous Year Rs.48.50 lacs).

7. (a) Foreign Exchange difference (Net) credited to Profit and Loss Account Rs. 95.34 lacs (Previous Year : Rs. 497.63 lacs).
- (b) In accordance with the concept of prudence, the Company has not recognized mark to market foreign exchange gain of Rs 57.85 lacs (Previous Year NIL) on derivative contracts entered into to hedge the foreign currency risk of future transactions and outstanding as at the Balance Sheet date.
- (c) The Company uses Forward Exchange Contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company does not enter into any such instruments for trading or speculative purposes. The following are the contracts entered into by the Company and outstanding at the year end:

	<b>31.03.2011</b>	<b>31.03.2010</b>
<b>Forward Exchange Contracts:</b>		
No. of Contracts	<b>17</b>	23
Type	<b>Sell</b>	Sell
US \$ Equivalent (Lacs)	<b>55.56</b>	37.20
Rupee Equivalent(Lacs)	<b>2541.59</b>	1732.25

**NOTES FORMING PART OF ACCOUNTS** (contd.)

(d) The year end foreign currency exposures that have not been hedged, are given below:

I. Amounts receivable in foreign currency on account of the following :

	2010-11			2009-10		
	Currency	Equivalent (Lacs)	Rupee Equivalent (Lacs)	Currency	Equivalent (Lacs)	Rupee Equivalent (Lacs)
Loans & Advances	CHF EURO	0.11 0.004	5.58 0.24	- -	- -	- -

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

	2010-11			2009-10		
	Currency	FC Amount (Lacs)	Rupee Equivalent (Lacs)	Currency	FC Amount (Lacs)	Rupee Equivalent (Lacs)
Purchase of Goods/ Services	USD EURO	18.47 11.14	825.69 703.76	USD EURO	13.64 -	615.74 -
Loans payable(PCFC)	USD	20.08	897.87	USD	49.56	2350.09

8. (a) Certain Land, Buildings, Plant & Machinery and Electrical Installations were revalued as on 31<sup>st</sup> March 1993 on the basis of reports of approved valuer on market value / replacement cost basis using standard indices after considering the obsolescence and age of individual assets.
- (b) The revalued amounts (net of withdrawals) remaining substituted for the historical cost in the gross block of fixed assets are:

Particulars	As at 31.03.2011 (Rs. in Lacs)	As at 31.03.2010 (Rs. in Lacs)
Land	14.62	14.62
Buildings	407.46	407.46
Plant & Machinery	1299.94	1336.09
Electrical Installations	168.60	278.18

9. a) Interest charges for the year in Schedule 16 include Rs. 216.14 lacs related to earlier periods.
- b) Interest on Others in Schedule – 16 is net of interest income of Rs 53.05 lacs (Previous Year Rs. 44.72 lacs); tax deducted at source thereon Rs. 3.70 lacs; (Previous Year Rs. 4.31 lacs).
10. In terms of Accounting Standard 17, the Company operates materially only in one business Segment viz., Yarn and has its production facilities and all other assets located in India. Sales to external customers comprise export sales of Rs. 23957.96 lacs (Previous Year Rs. 15577.62 lacs) and local sale of Rs. 15681.69 lacs (Previous Year Rs. 10623.09 lacs).
11. Deferred Tax Liability / (Asset) as at the year-end comprises timing differences on account of :

Particulars	As at 31.03.2011 (Rs. in Lacs)	As at 31.03.2010 (Rs. in Lacs)
Depreciation	2487.99	2462.15
Unabsorbed Depreciation/Business Losses	(843.53)	(1555.01)
Others	15.67	(49.60)
Net Deferred Tax Liability	<u>1660.13</u>	<u>857.54</u>

**GTN INDUSTRIES LIMITED**

**NOTES FORMING PART OF ACCOUNTS (contd.)**

12. Loans & Advances in the nature of loans to employees (as per general policy of the Company)(disclosure pursuant to clause 32 of the listing agreement) :

Name	Rate of Interest	Amount Outstanding		No. of Equity shares held in the Company	
		As on 31.03.2011 (Rs. in Lacs)	Maximum Outstanding During the Year (Rs. in Lacs)	As on 31.03.2011	Maximum during the Year
Employees	NIL (NIL)	9.55 (5.39)	18.30 (8.40)	- -	- -

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

13. Earnings per share :

Particulars		2010-11 (Rs. in Lacs)	2009-10 (Rs. in Lacs)
<b>Numerator</b>			
Net Profit/(Loss) as disclosed in Profit & Loss Account		<u>951.04</u>	<u>(601.30)</u>
Net Profit/(Loss) attributable to the Equity Shareholders		<u>951.04</u>	<u>(601.30)</u>
<b>Denominator :</b>			
Weighted average No. of Equity Shares	Nos.	16899282	11540378
Basic and diluted Earnings Per Share (face value of Rs.10 each)			
Before Exceptional Items	Rs.	5.63	(3.22)
After Exceptional Items	Rs.	5.63	(5.21)

14. The Company has been advised that it is eligible to set off lower of business loss / Unabsorbed depreciation even though adjusted with General Reserves in an earlier year. However, the Company has provided MAT tax liability of Rs.375 lacs without considering such adjustment and accordingly taken MAT tax credit.

15. Disclosure in respect of related parties pursuant to Accounting Standard 18:

- (A) List of related parties:

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

**i) ASSOCIATES**

Perfect Knitters Limited  
Imperial Garments Limited  
GTN Engineering (India) Limited  
JEL Finance & Investment Limited  
Purav Trading Limited

**ii) KEY MANAGEMENT PERSONNEL AND ENTERPRISES (HAVING COMMON KEY MANAGEMENT PERSONNEL OR THEIR RELATIVES)**

**Key Management Personnel**

Shri M.K. Patodia - Chairman & Managing Director

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

Patcot co.,  
Perfect Cotton Company

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

Late Shri R.K. Patodia – Brother  
Smt. Bimla Devi Chowdhary - Sister  
Smt. Sharada Devi Chowdhary - Sister  
Madanlal Purusottam Das (HUF)  
Rajendra Patodia (HUF)  
Mahendra Patodia(HUF)

## NOTES FORMING PART OF ACCOUNTS (contd.)

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

(Rs. in Lacs)

S. No.	Nature of Transactions	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
1.	<b>Sales, Service and other income</b>			
	Perfect Knitters Limited	<b>289.42</b>	-	-
		(327.17)	(-)	(-)
	Imperial Garments Limited	<b>844.32</b>	-	-
		(415.61)	(-)	(-)
	<b>Total</b>	<b>1133.74</b>	-	-
		(742.78)	(-)	(-)
2.	<b>Purchase of Goods and Services:</b>			
	Purav Trading Ltd	<b>755.13</b>	-	-
		(-)	(-)	(-)
	Patcot Co.,	-	-	<b>0.23</b>
		(-)	(-)	(14.26)
	Others	<b>15.20</b>	-	-
		(1.45)	(-)	(-)
	<b>Total</b>	<b>770.33</b>	-	<b>0.23</b>
		(1.45)	(-)	(14.26)
3.	<b>Interest Paid on Fixed Deposits:</b>			
	Mr. M.K.Patodia	-	<b>1.12</b>	-
		(-)	(5.68)	(-)
	Mahendra Patodia (HUF)	-	-	<b>1.12</b>
		(-)	(-)	(5.09)
	Smt Sharada Devi Chowdhary	-	-	<b>0.70</b>
		(-)	(-)	(0.70)
	Madanlal Purusottam Das (HUF)	-	-	<b>2.66</b>
		(-)	(-)	(2.82)
	Smt Bimla Devi Chowdhary	-	-	<b>0.94</b>
		(-)	(-)	(1.01)
	<b>Total</b>	-	<b>1.12</b>	<b>5.42</b>
		(-)	(5.68)	(9.62)
4.	<b>Managerial Remuneration</b>			
	Mr. M.K. Patodia	-	<b>16.83</b>	-
		(-)	(16.22)	(-)
5.	<b>Fixed Deposits taken:</b>			
	Madanlal Purusottam Das (HUF)	-	-	<b>6.00</b>
		(-)	(-)	(28.00)
	Smt Sharada Devi Chowdhary	-	-	<b>3.00</b>
		(-)	(-)	(4.30)
	Smt Bimla Devi Chowdhary	-	-	<b>10.00</b>
		(-)	(-)	(10.00)
	<b>Total</b>	-	-	<b>19.00</b>
		(-)	(-)	(42.30)
6.	<b>Fixed Deposits Repaid:</b>			
	Mr. M.K.Patodia	-	<b>50.00</b>	-
		(-)	(120.00)	(-)
	Mahendra Patodia (HUF)	-	-	<b>50.00</b>
		(-)	(-)	(50.00)
	Smt Bimla Devi Chowdhary	-	-	<b>10.00</b>
		(-)	(-)	(10.00)
	Others	-	-	<b>15.75</b>
		(-)	(-)	(138.55)
	<b>Total</b>	-	<b>50.00</b>	<b>75.75</b>
		(-)	(120.00)	(198.55)

**GTN INDUSTRIES LIMITED**

(Rs. in Lacs)

S. No.	Nature of Transactions	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
7.	<b>Allotment of Equity Shares</b> (including Premium) GTN Engineering (India) Limited	<b>270.00</b>	-	-
	JEL Finance & Investment Limited	<b>480.00</b>	-	-
	<b>Total</b>	<b>750.00</b> (-)	- (-)	- (-)

C) Outstanding Balances as on 31.03.2011:

(Rs. in Lacs)

S. No.	Particulars	Associates	Key Management Personnel	Enterprises / Relatives of Key Management Personnel
1.	<b>In respect of Sales, Service and other income:</b> Perfect Knitters Limited	<b>398.23</b> (293.12)	- (-)	- (-)
	Imperial Garments Limited	<b>440.28</b> (207.70)	- (-)	- (-)
	<b>Total</b>	<b>838.51</b> (500.82)	- (-)	- (-)
2.	<b>Loans Received:(Fixed Deposits)</b> Mr. M.K.Patodia	- (-)	<b>50.00</b> (50.00)	- (-)
	Madanlal Purusottam Das (HUF)	- (-)	- (-)	<b>28.00</b> (28.00)
	Smt Sharada Devi Chowdhary	- (-)	- (-)	<b>10.00</b> (10.00)
	Smt Bimla Devi Chowdhary	- (-)	- (-)	<b>7.30</b> (7.30)
	<b>Total</b>	- (-)	<b>50.00</b> (50.00)	<b>45.30</b> (45.30)
3.	Personal Guarantee taken: Mr.M.K.Patoda	- (-)	<b>20977.41</b> (20510.99)	- (-)

**Notes:**

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

16. Additional information pursuant to the provisions of Schedule VI of the Companies Act,1956

**A) Installed Capacity :** (As certified by the Management and relied upon by the Auditors being a technical matter)

Description of the Item	Unit	Year Ended 31.03.2011	Year Ended 31.03.2010
Spindles	Nos.	<b>85528</b>	83416
Doubling Spindles	Nos.	<b>23826</b>	23826
Yarn Processing	MT / day	<b>10</b>	10
Knitting	MT/ day	<b>5.8</b>	5.8

## NOTES FORMING PART OF ACCOUNTS (contd.)

## B) Sales, Production and Stocks

(Kg./Rs. in Lacs)

Finished Goods	Unit	Opening Stock		Production		Sales		Closing Stock	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Yarn	(Kgs.) (Rs.)	<b>5.77</b> <b>1529.28</b>	11.05 2992.39	<b>*90.02</b>	*83.72	<b>78.09</b> <b>25925.07</b>	73.05 18529.57	<b>8.63</b> <b>2419.17</b>	5.77 1529.28
Knitted Fabric	(Kgs.) (Rs.)	- -	0.01 0.93	<b>0.36</b> -	0.09 -	<b>0.28</b> <b>119.09</b>	0.10 34.11	<b>0.08</b> <b>4.29</b>	- -

\*Includes captive consumption for Knitted fabric.

## C) Traded Goods (Cotton Yarn)

Finished Goods	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Kgs. in Lacs	Rs. in Lacs	Kgs. in Lacs	Rs. in Lacs
Opening Stock	<b>2.51</b>	<b>453.47</b>	-	-
Purchases	<b>57.05</b>	<b>11165.29</b>	47.99	7144.13
Sales	<b>58.79</b>	<b>12414.42</b>	45.48	6790.64
Closing Stock	<b>0.77</b>	<b>193.10</b>	2.51	453.47

## D) Raw Material Consumed

(Kg. / Rs. in Lacs)

Finished Goods	Year Ended 31.03.2011			Year Ended 31.03.2010		
	Kgs.	Rs.	%	Kgs.	Rs.	%
Cotton Imported *	<b>24.10</b>	<b>3025.15</b>	<b>20.77</b>	23.29	2533.32	27.45
Cotton Indigenous	<b>70.72</b>	<b>7147.60</b>	<b>49.07</b>	61.26	4482.13	48.56
Yarn Indigenous	<b>18.42</b>	<b>4393.87</b>	<b>30.16</b>	13.21	2214.11	23.99
<b>Total</b>	<b>113.24</b>	<b>14566.62</b>	<b>100.00</b>	<b>97.76</b>	<b>9229.56</b>	<b>100.00</b>

\* Includes imported cotton purchased indigenously.

## E) Value of Imports on CIF basis in respect of

(Rs. in Lacs)

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
Raw Material – Cotton	<b>2804.88</b>	2607.88
Stores	<b>114.55</b>	52.86
Capital Goods	<b>789.54</b>	318.95
<b>Total</b>	<b>3708.97</b>	2979.69

**GTN INDUSTRIES LIMITED**

**NOTES FORMING PART OF ACCOUNTS (contd.)**

**F) Value of Consumption**  
Stores, Spares, Packing Materials and Dyes & Chemicals

Particulars	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Rs. in Lacs	%	Rs. in Lacs	%
Imported	92.68	5.86	52.74	4.75
Indigenous	1488.29	94.14	1057.33	95.25
<b>Total</b>	<b>1580.97</b>	<b>100.00</b>	<b>1110.07</b>	<b>100.00</b>

Components [for Repairs & Maintenance (Machinery)]

Particulars	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Rs. in Lacs	%	Rs. in Lacs	%
Imported	-	-	0.14	0.09
Indigenous	155.24	100.00	163.30	99.91
<b>Total</b>	<b>155.24</b>	<b>100.00</b>	<b>163.44</b>	<b>100.00</b>

**G) Expenditure in Foreign Currency (on remittance basis) (Rs. in Lacs)**

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
Agents' Commission	245.86	335.64
Interest	-	2.42
Others	28.21	34.32
<b>Total</b>	<b>274.07</b>	<b>372.38</b>

**H) Earnings in Foreign Exchange (Rs. in Lacs)**

FOB Value of Exports 23054.11 14841.57

**17. Remuneration to Managing Director & Director -Operations\*\* (Rs. in Lacs)**

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
Salaries	13.00	13.96
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	3.14	4.17
Perquisites*	0.78	0.54
<b>Total</b>	<b>16.92</b>	<b>18.67</b>

\* Evaluated as per Income Tax Rules, wherever applicable

\*\* Upto 25<sup>th</sup> May, 2009.

18. No commission is payable to any of the Directors of the Company, hence the Computation of Net Profit U/s. 198 / 349 of the Companies Act, 1956 is not disclosed.

**19. AUDITORS' REMUNERATION (Rs. in Lacs)**

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>STATUTORY AUDITORS' REMUNERATION</b>		
Audit Fees	4.00	3.00
Tax Audit Fees	0.75	0.75
Taxation / Other Services	3.76	1.74
Out of Pocket Expenses (including Service Tax)	1.41	1.30
	9.92	6.79
<b>Cost Audit Fees</b>	<b>1.69</b>	<b>1.51</b>
<b>Total</b>	<b>11.61</b>	<b>8.30</b>

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

<b>CASH FLOW STATEMENT</b>	<b>Year Ended 31.03.2011 (Rs. in Lacs)</b>	<b>Year Ended 31.03.2010 (Rs. in Lacs)</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS</b>	<b>1769.52</b>	<b>(727.74)</b>
Adjustments for:		
Depreciation	<b>1546.30</b>	1569.29
Interest Charged	<b>1827.66</b>	1433.81
Exceptional items (net)	-	229.92
Loss on fixed assets sold/held for disposal	<b>110.82</b>	162.05
Loss on fixed assets written off	<b>112.82</b>	-
Provision for Doubtful Debts	<b>7.67</b>	11.36
Sundry Balances written back(Net)	<b>(12.31)</b>	(9.68)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b><u>5362.48</u></b>	<b><u>2669.01</u></b>
Adjustment for:		
Trade and other receivables	<b>(1461.98)</b>	(1172.81)
Inventories	<b>(2793.88)</b>	(320.72)
Trade payables	<b>2045.44</b>	(404.93)
<b>CASH FLOW FROM OPERATIONS</b>	<b><u>3152.06</u></b>	<b><u>770.55</u></b>
Direct taxes paid	<b>(200.00)</b>	(2.00)
<b>NET CASH FLOW FROM OPERATIONS</b>	<b><u>2952.06</u></b>	<b><u>768.55</u></b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<b>(1445.41)</b>	(411.11)
Sale of Fixed Assets	<b>14.08</b>	17.00
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b><u>(1431.33)</u></b>	<b><u>(394.11)</u></b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings (Net)	<b>(28.13)</b>	1,390.00
Proceeds from Hire Purchase Borrowings(Net)	<b>(2.16)</b>	(4.08)
Proceeds from Short Term Borrowings(Net)	<b>(98.93)</b>	(168.67)
Equity Share Capital	<b>600.00</b>	-
Interest paid	<b>(1819.56)</b>	(1439.26)
<b>NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>	<b><u>(1348.78)</u></b>	<b><u>(222.01)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>171.95</b>	152.43
<b>CASH &amp; CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR</b>	<b><u>320.16</u></b>	<b><u>167.73</u></b>
<b>CASH &amp; CASH EQUIVALENTS AS AT THE END OF THE YEAR</b>	<b><u>492.11</u></b>	<b><u>320.16</u></b>

- Note: 1. The above Cash Flow Statement has been prepared by using the indirect method as per Accounting Standard 3 - Cash Flow Statement, issued by the Institute of Chartered Accountants of India.
2. Cash and Cash Equivalents exclude Margin Money Deposits and balance in Unpaid Dividend account which have been included under "Trade and Other Receivables".
3. Previous year's figures have been regrouped wherever necessary.

As per our report of even date attached  
For **LODHA & COMPANY**  
Chartered Accountants

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

**A.M. HARIHARAN**  
Partner

**P. PRABHAKARA RAO**  
Company Secretary

Place : Mumbai  
Date : 26th May, 2011

Place : Hyderabad  
Date : 26th May, 2011

**For and on behalf of the Board**

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

**ANJANA PATODIA**

**B.L. SINGHAL**

**SANJAY PANICKER**

} Directors

**GTN INDUSTRIES LIMITED**

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

As per notification dated 15.05.95 issued by Department of Company Affairs the additional information under para IV is as under :

**I Registration Details**

Registration No CIN No. L18101AP1962PLC054323 State Code : 01  
 Balance Sheet Date 31032011  
DD MM YYYY

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

Public issue (Incl. Calls in arrears)	Rights Issue
NIL	NIL
Bonus Issue	Private placement
NIL	60000

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

Total Liabilities	Total Assets
2746629	2746629
<b>Sources of Funds :</b>	
Paid up Capital	Reserves & Surplus
175496	345141
Secured Loans	Unsecured Loans
1947238	112741
Def. Tax Liability	
166013	

**Application of Funds :**

Net Fixed Assets	Investments
1574258	5
Net Current Assets	Misc. Expenditure
1171237	-

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover (Incl. Stock Adjustment and other income)	Total Expenditure
4059540	3882588
Profit / Loss Before Tax	Profit / Loss After Tax
176952	95104
Earnings per share in Rs.	Dividend rate
5.63	-

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

Item code No (ITC) Code : 52.05  
 Product Description : COTTON YARN / PROCESSED YARN  
 Item code No (ITC) Code : 60.01  
 Product Description : KNITTED FABRIC

**For and on behalf of the Board**

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

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

**P. PRABHAKARA RAO**  
 Company Secretary

**ANJANA PATODIA**  
**B.L. SINGHAL**  
**SANJAY PANICKER** } Directors

Place : Hyderabad  
 Date : 26th May, 2011

**GTN INDUSTRIES LIMITED**

**PROXY**

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

**49<sup>th</sup> ANNUAL GENERAL MEETING**

Folio No./Client ID No. : \_\_\_\_\_

No.of Shares : \_\_\_\_\_

I / We ..... of ..... in the District of being Member(s) of the above named Company, hereby appoint..... of ..... or failing him/her ..... of ..... or failing him ..... of ..... in the District of ..... as my / our proxy to attend and vote for me / us on my /our behalf at the **Forty-Ninth** ANNUAL GENERAL MEETING of the Company to be held at Chitkul Village, Patancheru Mandal, Medak District, Andhra Pradesh at 10.15 A.M. on Wednesday the 27<sup>th</sup> day of July, 2011 or at any adjournment thereof.

Signed this .....Day of July, 2011.

Affix a  
Rs.1/-  
Revenue  
Stamp

\_\_\_\_\_  
Signature

**Note:**

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

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**GTN INDUSTRIES LIMITED**

**ATTENDANCE SLIP**

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

**49<sup>th</sup> ANNUAL GENERAL MEETING**

Folio No./Client ID No. : \_\_\_\_\_

No.of Shares : \_\_\_\_\_

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

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

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

I, hereby record my presence at the **Forty-Ninth** ANNUAL GENERAL MEETING of the Company to be held at Chitkul Village, Patancheru Mandal, Medak District, Andhra Pradesh at 10.15 A.M. on Wednesday the 27<sup>th</sup> day of July, 2011.

\_\_\_\_\_  
Member's / Proxy's Signature

**NOTE :**

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

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## GTN INDUSTRIES LIMITED

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

### Green Initiative in Corporate Governance

Dear Shareholder,

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

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

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

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

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

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

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

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

**For GTN Industries Limited**

Place : Hyderabad.

Date : 26<sup>th</sup> May, 2011

(P. Prabhakara Rao)

Company Secretary & Compliance Officer

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

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

YES

NO

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

Place :

Signature

Date :

**BOOK POST**



AN ISO 9001:2000 CERTIFIED COMPANY

**Registered Office**

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

**Corporate Office**

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