

A photograph of several cotton bolls on a brown branch, set against a dark grey background. The bolls are white and fluffy, with some showing the brown, dried husks. The branch is positioned diagonally from the top left towards the bottom right.

FIFTH
ANNUAL REPORT
2009-10

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2009-10

Board of Directors

B K Patodia Chairman & Managing Director
N K Bafna
C D Thakker
B L Singhal
R Rajagopalan
Prem Malik

General Manager & Company Secretary E K Balakrishnan

Bankers & Financial Institutions

Central Bank of India
State Bank of India
Export-Import Bank of India
State Bank of Travancore
Bank of India
Axis Bank Limited

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

Legal Advisors M/s. Menon & Pai, Kochi

Registered Office Door No.VIII/911, Erumathala P O.,
Aluva 683 112, Kerala. India.

Corporate Office 43, Mittal Chambers, 228 Nariman
Point, Mumbai 400 021, India.

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GTN TEXTILES LIMITED

NOTICE

NOTICE is hereby given that the **Fifth** Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva – 683 101 at 1.00 p.m on Saturday, the 31st day of July 2010, to transact the following business.

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 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. R Rajagopalan, who retires by rotation and is eligible for reappointment.
- 3) To appoint a Director in place of Shri. C.D Thakker, who retires by rotation and is eligible for reappointment.
- 4) To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5) Consent for Appointment and Fixing of Remuneration of Managing Director

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **special resolution**.

“RESOLVED that in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 and Rules there under (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the re-appointment of Shri B.K Patodia as “Managing Director” of the Company, for a period of five years with effect from 19.12.2010, on the terms and conditions including remuneration as are set out and approved by the Remuneration Committee / Board of Directors. The draft remuneration structure placed before this meeting is specifically sanctioned with liberty to the Board of Directors (hereinafter referred to the “Board” which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and or remuneration and or agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri. B K Patodia”.

“RESOLVED FURTHER that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Act, the remuneration payable

to Shri. B.K Patodia by way of salary, perquisites, commission and other allowance shall not in any event exceed 5% of the net profits of the Company in that financial year”.

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

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

AND

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

6) Approval to extend mortgage in favour of Term lenders on First Charge basis.

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

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

- i) Rupee Term loan of Rs. 1500 lakhs (Rupees one thousand five hundred lakhs only) lent and advanced by Central Bank of India (CBI) to the Company and;
- ii) Rupee Term Loan of Rs.500 lakhs (Rupees five hundred lakhs only) lent and advanced by Axis Bank Limited (Axis Bank) to the Company.

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

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 13th May, 2010

NOTICE (Contd..)

NOTES :

1. **A Member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself / herself and the Proxy need not be a Member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto and forms part of this Notice.
3. The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Saturday, the 24th July, 2010 to Saturday, the 31st July, 2010 (both days inclusive).
4. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended with effect from 31st October 1998, dividends for the financial year ended 31st March 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same under Sub Section (1) of the said Section will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government established under Section 205C of the Act. Information in respect of Unclaimed Dividend when due for transfer to the said Fund with reference to dividend for the financial year ended 31st March, 2006 and thereafter, is given below:

Financial year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31.3.2006	28.7.2006	27.7.2013	26.8.2013
31.3.2007	26.7.2007	25.7.2014	24.8.2014
31.3.2008	25.7.2008	24.7.2015	23.8.2015

Shareholders who have not so far encashed the Dividend Warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company. Also note that no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid after a period of 7 (Seven) years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

5. Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them

in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and / or amount payable in respect of the shares shall vest in the event of the death of the Shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination form. The facility of nomination is not available to non-individual Shareholders such as Bodies-Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trust and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s.Integrated Enterprises (India) Limited.

REQUEST TO THE MEMBERS:

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (Seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
4. All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s.Integrated Enterprises (India) Ltd., "Seema", 41/426, Rajaji Road, Near Abad Metro Hotel, Ernakulam – 682 035, Kerala; Tel. No. (0484)2371494/2366099; Fax: (0484) 2384735; E-Mail:yesbalu@iepindia.com or shaji@iepindia.com.
5. **Members are requested to note that the Company's Equity shares are compulsorily traded in demat form for all investors, effective from 18th May, 2006. Members are requested to open Depository Account in their names with a Depository participant to dematerialise their holdings. This would be necessary for facilitating the transfers of Company's Equity shares in all Stock Exchanges connected to the Depository System.**

NOTICE (Contd..)

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT / REGULARISATION
PURSUANT TO SECTION 257 OF THE COMPANIES ACT, 1956
(In pursuance of Clause 49 of the Listing Agreement)**

Name of Director	Shri R Rajagopalan	Shri C.D Thakker
Date of Birth	21.07.1938	31.03.1938
Date of appointment	28.10.2005	17.12.2005
Qualifications	FCA, FCS	S.S.C
Expertise in specific functional area	Retired as Managing Director –Commercial & Secretary with M/s Widia (India) Ltd. Besides his proficiency in Finance, Accounts and Secretarial Functions, he was part of management team for finalization of many collaboration with other reputed European and American Companies. He was also associated with various Organizations and was the National President of the Institute of Company Secretaries of India (ICSI); President of Employers Federation of Southern India (EFSI) ; Chairman of Taxation and Finance Sub Committee of Confederation of Indian Industry (CII) ; Member of Southern Regional Council of CII ; Member of Engineering Export Promotion Council (EEPC); Greater Mysore Chamber of Industry (GMCI) etc.	He has over 42 years experience in procurement and trading of raw cotton. He is employed in Purav Trading Ltd in the capacity of 'President'.
Shareholding in the Company	Nil	11008 Equity shares of Rs 10 each

Details of other Directorship:-

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri R Rajagopalan	1) MRO-TEK Limited	Director	1) Audit 2) Shareholders	Chairman Member
	2) Karnavati Engineering Limited	Director	None	None
	3) SAKSOFT Limited	Director	1) Audit 2) Shareholders	Chairman Chairman
	4) Patspin India Limited	Director	1) Audit 2) Remuneration	Member Member
Shri C.D Thakker	None	None	None	None

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

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 13th May, 2010

NOTICE (Contd..)

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

ITEM No.5:

The present term of office of Shri B K Patodia as Managing Director will expire on 18th December, 2010. Subject to shareholders approval, the Board of Directors, at their meeting held on 13th May, 2010 have reappointed him for a further period of five years from the expiry date of his term on the remuneration determined by the Remuneration Committee of the Board of Directors.

Remuneration Committee constituted by the Board had met on 13.5.2010 and approved and recommended remuneration package of Shri. B.K Patodia , Managing Director for a period of three years, in accordance with Schedule XIII to the Companies Act, 1956.

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

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

Shri. B.K Patodia was drawing salary in the scale of Rs.320000-10000-340000 plus usual perquisites with effect from 01.04.2008. Under his able leadership, the company has recorded significant growth. Therefore, the Committee unanimously recommended to retain salary of Rs.320000/- per month in the scale of Rs.320000-10000-340000 plus usual perquisites for a period of three years from 01-04-2010 to 31-03-2013, as set out below:

- a) **Salary:**
Rs.3,20,000/- per month in the Scale Rs.320000–10000–340000 effective from 1st April, 2010 for a period of three years.
- b) **Commission:**
Subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, such percentage of the Net Profit of the Company or such quantum as may be fixed by the Board of Directors for each financial year not exceeding 2% of the Net Profits of the Company, each year, restricted to an overall limit of Rs.42 lacs per annum.
- c) **Perquisites as follows:**
 - (i) Housing: Rent free accommodation will be provided to the appointee for which actual amount of lease rental paid or payable by the Company or 10% of the salary, whichever is lower, shall be recovered. In

case no accommodation is provided by the Company, House Rent Allowance, subject to a ceiling of 60% of the appointees salary shall be paid. In addition, the appointee shall be allowed Company owned furniture and fixtures, if required.

- (ii) The expenditure incurred by the appointee on gas, electricity and water shall be reimbursed by the Company.
- (iii) All Medical Expenses incurred by the appointee for self and his family shall be reimbursed.
- (iv) Leave Travel Concession for the appointee and his family will be allowed once in a year as per the Rules of the Company.
- (v) Fees of Clubs : Subject to a maximum of 2 Clubs. This will not include admission and life membership fees.
- (vi) Personal Accident Insurance : As per Rules of the Company.
- (vii) Contribution to Provident Fund, Superannuation or Annuity Fund to the extent the same are not taxable under the Income-Tax Act.
- (viii) Gratuity : As per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company, whichever is higher.
- (ix) Provision of Car with driver and telephone at the residence for use of Company's business.
- (x) Encashment of Leave as per Rules of the Company.

d) Overall Remuneration:

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

e) Minimum Remuneration:

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

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

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

Shri. B K Patodia is deemed to be interested in the resolution mentioned in Item no.5 of the Notice.

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

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

NOTICE (Contd..)

I. General Information:

- i) Nature of the industry:
Textile Industry – the company is mainly engaged in manufacture and exports of cotton yarn in the segment of medium, fine and superfine combed yarns.
- ii) Date or expected date of commencement of Commercial Production:
It is an established Company and the Commercial production at its Aluva Plant commenced in 1964.
- iii) In case of new companies, expected date of commercial activities as per Project approved by financial institutions appearing in the prospectus.
Not applicable.

- iv) Financial Performance: (Rs. In lacs)

Particulars	07-08	08-09	09-10
Sales	10950	9819	12305
Other Income	199	4	9
Variation in Stock	562	283	(987)
Operating Profit	1128	83	1115
Interest	537	743	758
PBDT	591	(660)	357
Profit Before Tax	(28)	(1346)	(321)
Profit After Tax	116	(1034)	(218)
Amount of Equity Dividend Paid	70	—	—
Rate of Dividend Declared (%)	6%	—	—

The Effective Capital of the company based on the Audited Accounts for the Year Ended 31.3.2010 is Rs. 84 crores.

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

- v) Export Performance and Net Foreign Exchange Contributions:

(Rs. in Lacs)

Financial Year	Export Turnover
2006-2007	9783
2007-2008	8644
2008-2009	7237
2009-2010	5834

The Company does not have any Foreign Exchange Collaboration.

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

II. Information about the appointee: Shri. B.K Patodia

Vide Item No.5 of the Notice of this Annual General Meeting of the company, the approval of the members is being sought for appointment of Shri. B.K Patodia as Managing Director for a period of 3 years w.e.f. 19.12.2010 as well as fixing of remuneration for a period of 3 years effective from 1st April 2010. Shri. B.K Patodia is a Citizen of India, 65 years of age. He holds Engineering Degree from Birla Institute of Science and Technology, Pilani and has over 4 decades of experience in Textile Industry, Yarn marketing and Cotton Trade. He was the Chairman of Indian Cotton Mills Federation (ICMF); Southern India Mills Association (SIMA); and The

Cotton Textile Export Promotion Council (TEXPROCIL) and is member of various Committees.

The Company's operations are managed by Shri.B K Patodia as well as implementation of all policy matters under the guidance of the Board of Directors, besides directly handling other crucial areas, such as raw material procurement and export of yarn. Shri.B K Patodia is holding the position of Managing Director of GTN Textiles Limited, since 1966.

During the financial year 2009-2010, he was paid the following remuneration:

(Rs. in lacs)

Salary	Perquisites	P.F./Gratuity/ Superannuation	Total
34.56	3.11	10.61	48.28

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

III. Other Information:

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

None of the other Directors of the company is in any way concerned or interested in the resolution mentioned in Item No.5 of the notice.

Your Directors recommend this resolution for approval.

ITEM No.6:

The Company have been sanctioned a Term Loan of Rs.500 Lakhs by Axis Bank Limited. As per request of the Company, Central Bank of India have restructured financial assistance of Rs.1500 Lakhs sanctioned by them to the company. These financial assistances are to be secured by equitable mortgage by way of pari passu first charge basis on immovable properties of the company, present and future.

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

Copies of the sanction letters from Central Bank of India and Axis Bank Limited are open for inspection at the Registered Office of the Company between 11.00 a.m. and 2.00 p.m. on any working day prior to the date of the meeting.

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

Your Directors recommend this resolution for approval.

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

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 13th May ,2010

GTN TEXTILES LIMITED

DIRECTORS' REPORT

To the Members,

ANNUAL REPORT

Your Directors present the **FIFTH** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs. in lacs)

	Year ended 31.3.2010	Year ended 31.3.2009
INCOME		
Net sales / Income from operations	12305	9819
Other operating income (Insurance Claim)	192	—
Other income	9	4
Variation in Stock	(987)	283
Total	<u>11519</u>	<u>10106</u>
EXPENDITURE		
a) Cost of materials	6411	5452
b) Staff Cost	1483	1381
c) Power Cost	1131	1092
d) Other expenditure	1379	2098
Total	<u>10404</u>	<u>10023</u>
OPERATING PROFIT		
	1115	83
Interest	758	743
Profit before depreciation and taxation	357	(660)
Depreciation	678	686
PROFIT BEFORE TAX		
	(321)	(1346)
Provision for current tax	—	—
Provision for deferred tax	(103)	(327)
Provision for Fringe benefit tax	—	15
PROFIT AFTER TAX		
	(218)	(1034)
Balance brought forward from previous year	—	387
Transfer from General Reserve	218	647
Profit /loss available for appropriations	<u>—</u>	<u>—</u>

DIVIDEND

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

PERFORMANCE REVIEW

The adverse effect of the global financial crisis, which impacted most of the advanced economies of the world, spilled over in the year under review. As such, the operational performance

of your company continued to be affected during the first half of the year. However, from the third quarter there was a revival in demand for textile products, leading to slow but definite improvement in capacity utilization and financial performance of your company, in the second half of the year. As a result, the turnover has substantially increased to Rs.123.05 crores as compared to Rs.98.19 crores of the previous year. Consequently, there has been a total turnaround from a meager operating profit of Rs.0.83 crores to Rs.11.15 crores in the year under review. However, due to the adverse working of the company during first half of the year as mentioned earlier, the year under review still ended with substantially lower loss at Rs.3.21 crores as against Rs.13.46 crores in the earlier year.

In the current financial year 2010-11, besides recovery in global economic environment, domestic demand for textile products has been very strong giving the much needed positive thrust to the textile industry.

From 1st April 2010, Kerala State Electricity Board has put certain restrictions on power consumption and also levied fuel surcharge, which has led to increase in power cost. Besides, the government has done away with certain incentives available to Textile Industry i.e. 7.67% DEPB, 4% Duty Draw Back and 2% interest subvention. In spite of above, due to improved market conditions and higher sales realization, your company is hopeful of showing better performance in the year 2010-11 as well.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (b) 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 that period;
- (c) they have taken proper and sufficient care, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (d) they have prepared the annual accounts on a going concern basis.

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

AUDITORS

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

PERSONNEL & INDUSTRIAL RELATIONS

Industrial Relations were cordial and satisfactory. A statement showing the particulars of Employees referred to in sub section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in Annexure I, forming Part of this Report.

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

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Place : Kochi,
Date : 13th May, 2010

B K PATODIA
Chairman

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars of Employees as required under Sub-section (2A) of the Companies Act, 1956 and the Rules made there under forming part of the Directors' Report:

Sl. No	Name	Age yrs.	Designation	Nature of Duties	Remuneration (Rs.lacs)	Qualification	Experience held	Date of job commencement	Last employment
A Employees who worked throughout the accounting year and whose remuneration aggregating Rs.24,00,000/- or more per year									
	Shri. B K Patodia	65	Chairman & Managing Director	Management of the affairs of the Company	48.28	B.E	45 years	19.12.2005	erstwhile GTN Textiles Limited now known as GTN Industries Limited
B Employees who worked during part of accounting year and whose remuneration aggregating Rs. 2,00,000/- or more per month. —None—									

Notes:

- Nature of Employment : Contractual
- The remuneration includes salary, Company's Contribution to Provident Fund and Superannuation funds, Gratuity fund, Medical Expenses and Leave Travel Assistance and other perquisites.

For and on behalf of the Board

Place : Kochi,

B.K PATODIA

Date : 13th May, 2010

Chairman

ANNEXURE II TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

- energy conservation measures taken. The Company is making all round efforts for the conservation of energy. To reduce the energy cost, energy efficient equipments were used and the effect of the same has been felt.
- additional investments and proposals, if any, being implemented for reduction of consumption of energy
- impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- Total energy consumption and energy consumption per unit of production as prescribed in **Form-A** given below

	Year ended 31.3.2010	Year ended 31.3.2009
I. Power and fuel consumption		
1. Electricity		
a) Purchased (Units in lacs)	326.50	288.72
Total amount (Rs. In lacs)	1125.70	1081.65
Rate per unit (Rs.)	3.45	3.75
b) Own generation		
i) through Diesel Generator (units in lacs)	0.50	1.32
Total amount (Rs. in lacs)	4.93	10.41
Units per liter of diesel oil	3.47	3.64
Cost per unit (Rs.)	9.86	7.89
ii) through steam turbine/ generator		
Units	Nil	Nil
Unit per liter of fuel oil / gas	Nil	Nil
Cost per unit (Rs.)	Nil	Nil

	Year ended 31.3.2010	Year ended 31.3.2009
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others/internal generation	Nil	Nil
II. Consumption per unit of production		
a) Electricity – Units per Kg. Yarn	8.92	11.44
b) Furnace Oil	Nil	Nil
c) Coal	Nil	Nil
d) Others	Nil	Nil

B. Technology Absorption

Efforts made in Technology Absorption as per Form B.

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

C. Foreign Exchange Earnings & Outgo

- Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans
The company is presently exporting yarn and knitted fabric. Steps are being taken to explore new markets and product development.
- Total Foreign Exchange earned and used excluding capital goods, components & Spares:
Earned: Rs.5816.30 lacs (Previous year Rs.6613.18 lacs) (including shipping freight realisation and agents commission) Used: Rs.3211.85 lacs (Previous year Rs.3862.31 lacs)

For and on behalf of the Board

Place : Kochi,

B.K PATODIA

Date : 13th May, 2010

Chairman

REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy on Code of Corporate Governance

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

2) Board of Directors

The Board is headed by an Executive Chairman, Shri B K Patodia and comprises eminent persons with considerable professional experience in diverse fields. Over 83% of the Board consists of Non – Executive Directors,

As of 31st March, 2010, the Board comprised four Independent Directors constituting 67% of the total Board strength.

Composition and category of Directors is as follows:

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

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

Director	Attendance particulars		No. of other Directorships and Committee memberships / Chairmanships			Relationship interse Directors
	Board meetings	Last AGM	Other Directorship including Pvt.Ltd.Cos.	Other Committee Membership #	Other Committee Chairmanship #	
Shri.B K Patodia	4	Yes	10	None	None	None
Shri.N K Bafna	4	Yes	3	5	3	
Shri.B L Singhal	4	Yes	8	6	3	
Shri.R Rajagopalan	4	No	4	5	3	
Shri.Prem Malik	3	No	6	2	None	
Shri.C D Thakker	None	No	None	None	None	

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

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

Four Board meetings were held during the year. The maximum time gap between any such two meetings was not more than 3 calendar months.

The details of the Board Meetings are as under:-

Sl.No.	Date	Board Strength	No. of Directors present
1)	7th June, 2009	6	5
2)	30th July, 2009	6	4
3)	26th October, 2009	6	5
4)	29th January, 2010	6	5

REPORT ON CORPORATE GOVERNANCE (Contd..)

3) Audit Committee

Audit Committee comprises of Four Independent Directors namely; Shri.B L Singhal, Chairman, Shri N K Bafna, Shri.R Rajagopalan and Shri. Prem Malik. All the Members of the Audit Committee possess financial / accounting expertise. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Shri.E K Balakrishnan, General Manager & Company Secretary is the Secretary of the Audit Committee.

The composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations.

The Audit Committee shall oversee financial reporting process and disclosures, review annual financial statements, management discussion and analysis of financial condition and results of operation, review adequacy of internal audit function, management letters/ letters of internal control weakness issued by the statutory auditors, internal audit report relating to internal control weakness, related party transactions, review financial and risk management policies, to look into the reasons for substantial defaults in the payment to depositors, debenture / shareholders and creditors, oversee compliance with stock exchange and legal requirements concerning financial statements, review auditors qualifications (draft), compliance with Accounting Standards, recommending the appointment and renewal of external Auditors / Internal auditors, fixation of audit fee and also approval for payment for any other services, etc. The Audit Committee shall also review conditions stipulated in Clause 49 II (D)(12A) of the listing agreement prior to appointment of Chief Financial Officer (CFO).

During the year, the Committee met Four times. Attendance of each Member at the Audit Committee meetings held during the year are as follows:

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

The details of the meetings are as under:-

Sl.No.	Date	Committee Strength	No. of Directors present
1)	6th June, 2009	4	4
2)	30th July, 2009	4	3
3)	26th October, 2009	4	4
4)	29th January, 2010	4	4

At the Annual general Meeting of the company held on 31st July, 2009, the Chairman of the Audit Committee, Shri B L Singhal was present.

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

i) Internal Audit and Control:

M/s.Varma & Varma, Chartered Accountants,the Internal Auditors of the Company and their Internal Audit Plan and Remuneration are approved by the Audit Committee. The reports and findings of the Internal Auditor and the Internal Control System are periodically reviewed by the Audit Committee.

ii) Prevention of Insider Trading:

The Audit Committee also monitors implementation and compliance of the Company's Code of Conduct for prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended upto date . The Board has designated Shri E K Balakrishnan, General Manager & Company Secretary as the Compliance Officer.

iii) Risk Management:

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

REPORT ON CORPORATE GOVERNANCE (Contd..)

4) Remuneration Committee

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

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

The Remuneration Committee met on 13.05.2010 and approved the Remuneration payable to Shri B K Patodia, Managing Director, for a period of three years from 01.04.2010 to 31.03.2013 in line with the provisions of Schedule XIII of the Companies Act, 1956. The Remuneration structure approved is as follows:

a) Salary:

Rs.3,20,000/- per month in the Scale Rs.320000–10000–340000 effective from 1st April, 2010 for a period of three years.

b) Commission:

Subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, such percentage of the Net Profit of the Company or such quantum as may be fixed by the Board of Directors for each financial year not exceeding 2% of the Net Profits of the Company, each year, restricted to an overall limit of Rs.42 lacs per annum.

c) Perquisites as follows:

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

d) Overall Remuneration:

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

e) Minimum Remuneration:

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

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

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

REPORT ON CORPORATE GOVERNANCE (Contd..)

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

The aggregate of salary and perquisites paid for the year ended 31st March, 2010 to Managing Director, was as follows:-
Shri.B K Patodia : Rs.37.67 lacs

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

Remuneration paid to Non-Executive Directors:

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

The details of payment of sitting fees are as follows:

Meeting	Amount (in Rs.)
Board	7500
Committee	5000

The Fees paid for the year ended 31st March, 2010 to the Directors are as follows:

Name of the Non-Executive Director	Sitting fee (Rs.)
Shri N K Bafna	70000
Shri B L Singhal	70000
Shri R Rajagopalan	70000
Shri Prem Malik	37500

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

5) Shareholders' / Investors' Grievance Committee

Shareholders' / Investors' Grievance Committee comprises of three Independent Directors viz. Shri.R Rajagopalan, Chairman, Shri N K Bafna and Shri B L Singhal.

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

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

Sl.No.	Date	Committee Strength	No. of Directors present
1)	6th June 2009	3	3
2)	30th July 2009	3	3
3)	26th October 2009	3	3
4)	29th January 2010	3	3

Shri. E K Balakrishnan, General Manager & Company Secretary, is the Compliance Officer of the Company.

Investor Grievance Redressal:

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

Type of complaints	Number of complaints
Non-receipt of Annual Reports	2
Non-receipt of Dividend Warrants	8
Non-receipt of Share Certificates	2
Complaints in respect of Electronic Transfers	3
Complaints / queries received from Regulatory Agencies	—
Total	15

REPORT ON CORPORATE GOVERNANCE (Contd..)

There were no outstanding complaints as on 31st March, 2010. 8 requests for dematerialization were pending in the NSDL for approval as on 31st March, 2010, which were approved / confirmed on 5th, 7th, 8th, 9th, 15th and 16th April, 2010 respectively. No requests were pending for approval in CDSL as on 31st March, 2010.

In pursuance of Clause 47(f) of the Listing Agreement, the Company has displayed e-mail ID "gtntextiles.com" in the Website for the purpose of registering complaints by investors and also to take necessary follow-up action.

6) General Body Meetings:

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

Year	Location	Date	Day	Time	Special Resolution
2006-07	'Oceanic Hall' Hotel Periyar, Aluva – 683 101	26.07.2007	Thursday	12.00 noon	None
2007-08	-do-	25.07.2008	Friday	12.15 p.m	Fixing of Remuneration to the Managing Director
2008-09	-do-	31.07.2009	Friday	12.15p.m	Consent for Delisting of Company's Equity Shares from the Cochin Stock Exchange Limited(CSEL)

The Special Resolution moved at the last Annual General Meeting was unanimously passed by a show of hands by the Shareholders present at the meeting.

- (ii) Whether special resolutions were put through postal ballot, last year?

NO

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

NO

7) Disclosures:

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

During the year, the Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the company.

All transactions with the Related Parties were in the ordinary course of business and at arms length.

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

None

- (iii) Code of Conduct

The Company has laid down a Code of Conduct for the members of the Board as well as for all employees of the company. The Code of Conduct is available on the company's website, www.gtntextiles.com. The Managing Director has confirmed and declared that all members of the Board and Senior Management have affirmed compliance with the code of conduct. The declaration to that effect forms part of this report.

- (iv) Adoption, Compliance and Non-adoption of Non-mandatory requirements.

- a) The Board

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

Name of the Independent Director	Date of first appointment
Shri N K Bafna	15.05.2008
Shri B L Singhal	08.04.2005
Shri R Rajagopalan	28.10.2005
Shri Prem Malik	17.12.2005

REPORT ON CORPORATE GOVERNANCE (Contd..)

b) Remuneration Committee

Information pertaining to remuneration committee is provided in point No. 4 of this report.

c) Shareholder Rights

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

d) Audit Qualifications

There are no qualifications in the Auditors' Report on the accounts for the year 2009-10.

e) Others

The Company has not adopted other non-mandatory requirements of Clause 49 of the listing agreement, relating to imparting training to the non executive directors, evaluation of their performance and the whistle blower policy.

v) Secretarial Audit Report

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

8) Means of communication

Half-yearly report sent to each household of shareholders

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

Quarterly results

The quarterly results are normally published in the all India editions of THE FINANCIAL EXPRESS [National Daily] and MANGALAM [Regional Newspaper] along with the official news release.

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

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.

9) General Shareholder information:

I Annual General Meeting:

- | | |
|---|---|
| a) Date and Time | : Saturday, 31st July, 2010, 1.00 p.m. |
| b) Venue | : 'Oceanic Hall', Hotel Periyar, Aluva Pin: 683 101. |
| c) Financial calendar (tentative): | |
| Annual General Meeting | : Saturday, 31st July, 2010, 1.00 p.m. |
| Results for quarter ending 30th June, 2010 | : On or before 15th of August 2010 |
| Results for quarter ending 30th Sept., 2010 | : On or before 15th of November 2010 |
| Results for quarter ending 31st Dec., 2010 | : On or before 15th of February, 2010 |
| Results for Year ending 31st March, 2011 | : On or before 15th of May, 2011, if it is unaudited and on or before 31st May, 2011, if it is audited. |
| d) Book closure date | : Saturday, the 24th July 2010 to Saturday the 31st day of July, 2010 (both days inclusive). |

REPORT ON CORPORATE GOVERNANCE (Contd..)

- II a) Listing of Equity Shares on Stock Exchanges at : Bombay Stock Exchange Limited (BSE), and The National Stock Exchange of India Limited (NSE) .
- b) Listing fee : Annual Listing fees for the year 2010-11 have been duly paid to all the above Stock Exchanges.
The Annual Custodial Charges to NSDL and CDSL has also been paid.
- c) i) Stock Code : Scrip Code No. : Bombay Stock Exchange : 532744
: Trading symbol : National Stock Exchange : GTNTEX
- (ii) Demat ISIN Nos. in NSDL and CDSL for Equity Shares : INE790C01014
- III Stock market data - High, Low during each month in the last financial year

(in Rs. per Share)

Month	BSE		NSE	
	High	Low	High	Low
April 2009	8.25	5.50	8.10	5.25
May 2009	12.84	6.30	13.00	6.05
June 2009	15.50	10.60	15.45	10.50
July 2009	11.50	8.43	12.15	8.45
August 2009	11.55	8.86	11.35	8.60
September 2009	13.18	10.05	13.50	9.85
October 2009	12.90	8.88	12.85	9.10
November 2009	11.75	8.52	12.00	8.75
December 2009	16.20	9.60	16.60	9.90
January 2010	15.74	12.36	15.85	12.50
February 2010	13.77	11.48	13.60	11.50
March 2010	12.65	10.00	12.50	10.20

- IV Registrar and Transfer Agents (Share Transfer and communication regarding Share Certificates, Dividends and change of Address) : Integrated Enterprises (India) Limited
"Seema", 41/426, Rajaji Road, Near Abad Metro Hotel, Ernakulam – 682 035, Kerala.
Telephone No. : (0484) 2371494 / 2366099
Fax No. : (0484) 2384735
E-Mail : yesbalu@iepindia.com or shaji@iepindia.com
- V Share Transfer System : Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. The Board has delegated the authority for approving transfer, transmission, etc. of the Company's Securities to the Share Transfer Committee of the Board of Directors, constituted for this purpose. A summary of transfer / transmission of the Securities Company so approved by the Share Transfer Committee is placed at every Board Meeting. The Company obtains from a Company Secretary in Practice half yearly Certificate of Compliance with the Share Transfer formalities as required under Clause 47(C) of the Listing Agreement with Stock Exchanges and files a copy of the Certificate with the Stock Exchanges, within the prescribed time limit.
- As regards shares held in Electronic form, the credit being given as per guidelines / by-laws issued by SEBI / NSDL / CDSL.

REPORT ON CORPORATE GOVERNANCE (Contd..)**VI Shareholding pattern of the Company:-****(a) Shareholding pattern as on 31st March, 2010:**

Sl. No.	Category	No. of shares (Issued Equity)	% age
01)	Promoters & Associates	7146603	61.40
02)	Indian Financial Institutions, Banks, Mutual Funds	89105	0.76
03)	Foreign Institutional Investors / NRIs	26343	0.23
04)	Others	4378427	37.61
	Total	11640478	100.00

(b) Distribution of Shareholding as on 31st March, 2010:

No. of shares held	No. of Shareholders	% of Shareholders	No. of shares (Issued Equity)	% of Shareholding
Upto 100	22675	85.90	729061	6.26
101-500	2512	9.52	713144	6.13
501-1000	621	2.35	531859	4.57
1001-10000	537	2.04	1493281	12.83
10001-100000	37	0.14	763296	6.56
Above 100000	14	0.05	7409837	63.65
Total	26396	100.00	11640478	100.00

VII Dematerialization of shares and Liquidity:

The shares of the company are compulsorily traded in DEMAT form by all categories of investors with effect from 18th May, 2006. The company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scrip less trading. As on 23rd April, 2010, 51.21% of shares of the company were held in Dematerialized form.

Liquidity of shares:

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

VIII Plant Location:-

Door No.VIII/911, Erumathala Post, Aluva, Ernakulam District
Kerala – 683 112

IX Address for correspondence:

- i) Investor correspondence:-
For transfer / dematerialisation of
shares, payment of dividend on
shares and any other query relating
to the shares of the Company

- a) For shares held in Physical Form:-
Integrated Enterprises (India) Ltd.,
“Seema”, 41/426, Rajaji Road,
Near Abad Metro Hotel, Ernakulam – 682 035
Telephone No. : (0484) 2371494/2366099
Fax No. : (0484) 2384735
E-Mail : yesbalu@iepindia.com or shaji@iepindia.com

- ii) Any query on Annual Report

- b) For share held on Demat form:-
To the Depository Participants.
Secretarial Department,
GTN TEXTILES LIMITED,
5th Floor, Palal Towers, M G Road, Ravipuram, Ernakulam,
Kochi – 682 016
E-Mail: cs@gtntextiles.com

REPORT ON CORPORATE GOVERNANCE (Contd..)

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

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, this is to declare that all the members of the Board and the Senior Management have affirmed with the code of conduct for the year ended 31st March, 2010.

For **GTN TEXTILES LIMITED**

Place : Kochi
Date : 13th May, 2010

B K PATODIA
Chairman and Managing Director

The above report was adopted by the Board of Directors at their meeting held on 13.05.2010

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

To the Members of **GTN TEXTILES LIMITED**

We have examined the compliance of conditions of corporate governance by GTN TEXTILES LIMITED for the year ended March 31, 2010, as stipulated in clause 49 of the Listing agreement(s) of the said company with the stock exchange(s) in India.

The compliance of conditions of corporate governance is the responsibility of the company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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

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

For **M S Jagannathan & Visvanathan**
Chartered Accountants
(ICAI Firm No. 001209S)

Place : Kochi
Date : 13th May, 2010

R. MUGUNTHAN
Partner
M No. 21397

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

The textile industry plays a pivotal role in the Indian economy in terms of industrial production, employment and exports. Its contribution to forex earnings of the country was 12 per cent in 2009-10. This sector currently employs about 35 Million workers directly and 47 Million workers in allied sectors like Agriculture.

The Indian textile industry had been facing an extremely difficult period during the last two years due to global recession leading to adverse financial performance. During 2007-08, the textile industry was adversely affected due to sharp appreciation of Rupee and escalating cotton prices on account of unbridled exports of 85 lakh bales of raw cotton. In 2008-09, it further suffered adverse working on account of financial turmoil and economic slowdown in advanced countries of USA, EU and Japan, leading to a sharp contraction in consumer demand for textile products. Besides, Agriculture Ministry announced an unprecedented hike in minimum support price of seed cotton by 40 per cent, resulting in substantial higher cotton prices.

However, from the third quarter of 2009-10, there has been improvement in working due to strong recovery in domestic demand and revival of export demand for cotton yarn. Current indications are that the recovery will be sustained in the foreseeable future.

Although there are signs of recovery in the economies of advanced countries, the sustained global recovery hinges on the revival of private demand which continues to be weak in industrialized countries. Prospects of rapid recovery in EU could have been better but for the economic difficulties being experienced in Greece and Portugal.

The factors which impact working of Textile Industry are:

- (1) The ruling prices of cotton are 30 to 40 per cent higher than the average prices which prevailed during October 2008 to April 2009. This is the primary reason for increase in the cost of production of cotton yarn.
- (2) Higher cost of borrowings and withdrawal of concessional rate of interest for export credit.

From December 2008, the Government had announced three economic stimulus measures (including Interim Budget) to arrest the decline in the economic growth of certain industries which were labour-intensive, which included textiles. However, the only benefit which accrued to the textile industry was extension of interest subvention of 2% for exports which was 4 per cent during November 2007 to September 2008.

Further, RBI has advised Banks to replace BPLR system with a Base Rate System from 1st July, 2010. Accordingly, the interest rates on pre-shipment rupee export credit up to 270 days and post-shipment rupee export credit up to 180 days will be deregulated.

- (3) Abolition of DEPB rate of 7.67% on exports of cotton yarn with effect from 21st April 2010 and withdrawal of duty drawback with effect from 29th April, 2010. Industry and trade organizations have represented to the Government to restore the duty drawback rates of 4 per cent and refix the DEPB rate at 3.67 per cent for cotton yarn.
- (4) Fluctuations in Rupee Exchange Rates

RBI has expressed concern at the exchange rate volatility. In fact, the Rupee exchange rate in April, 2009 was Rs.51 to a Dollar which declined to Rs. 46/- in March, 2010. This has further declined to around Rs. 44.50 during April, 2010. Thus, between April, 2009 and March, 2010 the Rupee has appreciated by 10 per cent and 13 per cent by April, 2010.

- (5) Registration of Export Contracts

With effect from 9th April, 2010, the Ministry of Textiles has introduced the system of registration of export contracts for cotton yarn. This will facilitate preparation of data base on cotton yarn exports, but has increased the scriptory work for the spinning industry.

It is pertinent to mention that despite the above mentioned adverse factors, there has been improvement in the working of textile industry due to strong domestic demand and revival of export markets. It is expected that this trend will continue to sustain in the coming months.

Spinning and Weaving Capacities

At the end of 2009, the world's total installed spindles are estimated at 227 million. In India, the total number of installed spindles, both in the organized and small scale sector, was 41.90 million as at the end February, 2010, representing over 18 per cent of world's spindleage, as against China's share of over 48 per cent, with 110 million spindles in 2009. Deducting

MANAGEMENT DISCUSSION AND ANALYSIS (Contd..)

the number of spindles in the closed mills, the number of active spindles works out to around 34 million in India, which has the second largest spinning capacity in the world after China, although it is a distant number two. Likewise, the number of installed open end rotors has increased to 673 thousand as compared to 621 thousand in 2007-08 and 659 thousand in 2008-09. It is pertinent to point out that the expansion of spinning capacity both in the organized sector and small spinning sector has been significant.

It is understood that mills have placed huge orders for spindles with machinery manufacturers. This will lead to expansion - modernization of spinning sector. Thus, it will be in a position to cater to rising domestic demand from the downstream value chain and also cater to higher export demand for cotton yarn.

A major chunk of spinning capacity expansion took place under the TUF Scheme, which was operative up to 31st March, 2007. However, under the modified TUF Scheme operative from November, 2007, the response for expansion of spinning capacity which was not encouraging initially has once again shown signs of revival, due to improvement in demand scenario.

The number of looms in the mill sector has remained stagnant at 71,000 during the last four years. However, the weaving capacity in the powerloom sector has increased from 21 lakh looms in March, 2007 to 22.38 lakh looms as of December, 2009.

The total production of spun yarn had marginally declined from 4003 million kgs in 2007-08 to 3914 million kgs in 2008-09. However, during 2009-10, the production has again picked up and is currently projected at 4200 million kgs, showing a rise of about 7 per cent. Similarly, production of cotton yarn has also enhanced from 2898 million kgs in 2008-09 to 3073 million kg in 2009-10. This shows a rise of over 6 per cent. During 2010-11, this trend is likely to continue primarily because of strong domestic and export demand for textile products.

It may be stated that the growth rate targeted for cotton yarn under the Eleventh Five Year Plan is much higher at 14%. Even Confederation of Indian Textile Industry's (CITI's) Vision Statement on Textile Industry has projected much higher growth. This underscores the point that there is still good potential for growth.

Exports of Cotton Textile Products

The detailed figures of exports of textiles and clothing are published by the Director General of Commercial Intelligence & Statistics (DGCIS). The latest detailed figures published by DGCIS are available only up to March, 2009. According to Texprocil's projection, total exports of cotton textile products of yarn, fabrics and made-ups are estimated at 5 billion USD in 2009-10 almost at the same level as in 2008-09. Exports of cotton yarn during 2009-10 are estimated at 1.30 billion USD as compared to 1.50 billion USD in 2008-09, registering a fall of about 13 per cent. In 2010-11, exports of cotton yarn are projected to be higher because of revival of demand in export markets on the one hand and expansion in capacity and continuous modernization in the spinning industry on the other.

Cotton Scenario

The Cotton Advisory Board has estimated the cotton crop for the season 2009-10 at 292 lakh bales. In this cotton season, the per hectare yield has dropped to 488 kgs. as against 524 kgs. achieved in the season 2008-09 and 567 kgs in 2007-08. The decline in productivity and production has come about mainly on account of unfavourable weather conditions in the beginning of the season. Over 73% of the area under cotton cultivation is accounted for by Bt. cotton. In the years to come, the share of Bt. cotton in the total production is expected to increase significantly.

The production of organic cotton in India has been rising. According to latest available figures, the global production of organic cotton in the season 2008-09 was around 2 lac metric tonnes. India's production of organic cotton was over 1 lac metric tonnes, representing a share of 50%. The demand for organic textile products from overseas markets has been rising. To meet this demand, it is expected that the production of organic cotton in India will increase further.

With the prediction of normal monsoon for the coming season and other favourable factors like higher cotton prices in the current season, farmers will find it attractive to increase area under cotton cultivation. Other favourable factors are: growing awareness among farmers for adoption of better technology and augmented supply of a good quality seed. Hopefully, cotton production in the coming season will appreciably increase. Even globally also cotton production in the coming year is projected to be higher than current year, according to International Cotton Advisory Committee (ICAC).

It may be stated that the textile industry could perform well during 2004 to 2007 mainly on account of stable cotton prices and adequate availability of good quality cotton. However, for the season 2008-09, Government announced an unprecedented hike of 40% in Minimum Support Prices for seed cotton as against an average increase of 5 – 8% in the past. Consequently, Indian cotton prices became 10-15% higher than international prices.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd..)

The Textile Ministry has done away with incentives for export of cotton. Instead export duty of Rs.2500 per metric tonne has been imposed with a view to regulating exports of raw cotton. The Ministry has also disciplined CCI's marketing operations under which huge discount and long credits to very large buyers/exporters of cotton were given in the past year.

According to ICAC, both the global production and consumption of cotton in the season 2008-09 was 23.43 million tons and ending stocks were 12.75 million tons. For the cotton season 2009-10, ICAC has projected lower cotton production at 22.10 million tons and consumption at 24.40 million tons. The ending stocks for 2009-10 is estimated at 10.50 million tons, 18 per cent lower than previous year.

For the cotton season 2010-11, global production is forecast higher by 13 per cent at 24.90 million tons and consumption at 24.79 million tons, with ending stocks of 10.60 million tons. World cotton area is expected to increase by 8 per cent to 32.68 million hectares in 2010-11. Assuming average weather, the world average yield is forecast to increase to 760 kgs per hectare.

ICAC's price forecast for the season 2009-10 is 78 cents per pound and for 2010-11 the forecast is 85 cents per pound. The increase was driven by a rising gap between declining production and recovering consumption.

OPPORTUNITIES AND THREATS

The health of textile units is primarily dependent on adequate availability of quality cottons at competitive prices. With the augmented supply of quality seed and larger production of hybrids and Bt. Cottons, production of cotton in the coming season 2010-11 is likely to be comfortable.

It may be stated that Duty Drawback is not incentive but only refund of indirect taxes suffered by export products. Abrupt denial of this legitimate due is totally unjustified. Further, remission of duties suffered by exported products is totally WTO-compliant. Withdrawal of Duty Drawback runs counter to the well-accepted Government Policy of not exporting taxes. One can only hope that the Government will restore the Duty Drawback.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

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

OUTLOOK

The Indian Spinning Industry has tremendous potential for healthy growth on a sustained basis provided market forces of demand and supply are allowed to operate unhindered. Government's recent measures for regulating export of cotton yarn are not in consonance with the tenets of liberalization and globalization. Confederation of Indian Textile Industry (CITI), The Cotton Textiles Export Promotion Council (Texprocil) and other concerned organizations have been pleading with the Government not to tinker with the healthy growth of the spinning industry and one can only hope that Government would soon realize the importance of the same.

Fortunately for the spinning industry, the domestic demand continues to be strong and with the revival of export market, prospects for the spinning industry are highly promising.

RISKS AND CONCERNS

- (I) Raw Cotton, an agricultural product, is the key raw material used for the manufacture of cotton yarn. Almost 65 per cent of area under cotton cultivation is rain-fed and hence is dependent on vagaries of monsoon. Adequate availability of raw cotton at right prices is crucial for the Company. Any disruption in the supply and/or violent changes in the cost structure would affect the profitability of the Company.
- (II) The RBI's monetary policies are largely dictated towards controlling the inflation. Consequently, it has been raising the rates of interest, making the finance cost higher.
- (III) Your company follows an efficient inventory management system and a well-crafted strategy of procuring raw materials through a mix of spot and long-term contracts. The company's conscious efforts on maintaining a judicious mix of markets for its sales and thrust on specialty products like organic and fair trade textile products have also proved to be effective.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd..)

- (IV) Volatility in foreign currency exchange rates vis-a-vis Indian Rupee is another area of concern since a sizeable production of cotton yarn is exported by your Company. The Company has in place various Management Information Systems, which enable the management to take decisions on exposures relating to exports, imports, foreign currency loans, etc. The Company continues to strengthen these systems to minimize the risk involved due to adverse movement of exchange rates.
- (V) Your company has a system of assessing the risks on an ongoing basis. This includes an effective internal control and management reporting system. Further, the framework also captures the existing practices to manage commodity price risk, interest risk, and foreign exchange risk etc. An important aspect of this framework is to promote a balanced approach that considers risk and return.
- (VI) Apart from the intensification of international competition, the areas of concern are poor infrastructure resulting in higher transaction cost, withdrawal of Duty Drawback rates and DEPB for cotton yarn, high cost of power and Government's reluctance to introduce labour reforms. It is hoped that satisfactory solutions will be found in the near future. Another area of concern is Government's periodical announcements for liberalized tariff concessions offered to Least Developed countries like Bangladesh, Nepal, Bhutan and other countries under SAFTA.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

DISCUSSIONS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Please refer to Directors' Report on performance review.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been adopting methods and practices for Human Resources Development. With utmost respect to human values, the Company continues to develop its human resources, through a variety of services by providing appropriate training, motivation techniques and employee welfare activities.

Industrial relations are cordial and satisfactory.

As on 31st March, 2010, the Company has about 915 employees in its various offices and factory.

CAUTIONARY STATEMENT

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

AUDITORS' REPORT

Auditor's Report to the Members of GTN TEXTILES LIMITED

1. We have audited the attached Balance Sheet of GTN TEXTILES LIMITED as at 31st March, 2010 and also 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) Amendment Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the Books of Account;
 - iv) 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 Companies Act, 1956;
 - v) On the basis of written representation received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, on the said date.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together Significant Accounting Policies and Notes forming part of Accounts in Schedule "21" and those appearing elsewhere in the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **M S Jagannathan & Visvanathan**
Chartered Accountants
(ICAI Firm No. 001209S)

R. MUGUNTHAN
Partner
M No.21397

Place : Kochi
Date : 13th May, 2010

Annexure referred to in our Report of even date on the accounts for the year ended 31st March, 2010 of GTN TEXTILES LIMITED.

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

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets are physically verified in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification, during the period.
- (c) During the period, there was no sale of substantial part of fixed assets and hence the going concern of the Company is not affected.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company had not taken / granted loan from / to Companies covered in the register maintained under Section 301 of the Companies Act, 1956 and hence sub clauses b, c, d, e, f, g and h of clause (iii) of the said Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars 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, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the Books of Account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanation given to us there are no dues of which have not been deposited on account of dispute and the same is being contested by the Company.
- (x) The Company does not have any accumulated losses as at 31st March, 2010. The Company has not incurred cash loss during the financial year covered by our audit and has incurred cash loss of Rs.638.50 lacs in the immediately preceding financial year.
- (xi) Based on our Audit procedures and according to the information given to us, the company has not defaulted in repayment of dues to Financial Institutions and Banks.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advance on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not given guarantee for loan borrowed by others.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, except the allotment of shares in pursuance to Scheme of Arrangement.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any monies by way of Public Issues during the year.
- (xxi) According to the explanation and information given to us, based upon the audit procedures performed and representations made by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our Audit.

For **M S Jagannathan & Visvanathan**
Chartered Accountants
(ICAI Firm No. 001209S)

R. MUGUNTHAN
Partner
M No.21397

Place : Kochi
Date : 13th May, 2010

GTN TEXTILES LIMITED

BALANCE SHEET AS AT 31st MARCH, 2010

	Schedules	As at 31.03.2010 (Rupees in lacs)	As at 31.03.2009 (Rupees in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,164.05	1,164.05
Reserves and Surplus	2	2,111.65	2,329.78
		<u>3,275.70</u>	<u>3,493.83</u>
Loan Funds			
Secured Loans	3	9,231.08	10,696.53
Unsecured Loans	4	30.70	38.21
		<u>9,261.78</u>	<u>10,734.74</u>
Deferred Tax Liability (Net)		479.12	582.12
Total		<u>13,016.60</u>	<u>14,810.69</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	13,603.79	13,645.25
Less: Depreciation		5,899.02	5,281.97
Net Block		<u>7,704.77</u>	<u>8,363.28</u>
Capital Work-In-Progress		—	4.04
		<u>7,704.77</u>	<u>8,367.32</u>
Investments	6	1,984.83	1,984.83
Current Assets, Loans and Advances			
Inventories		3,326.97	3,735.12
Sundry Debtors		908.38	770.58
Cash and Bank Balances		595.33	360.06
Other Current assets		192.72	0.42
Loans and Advances		1,207.08	654.88
Sub-total (a)		<u>6,230.48</u>	<u>5,521.06</u>
Less: Current Liabilities and Provisions			
Liabilities	8	2,903.48	1,095.90
Provisions		—	—
Sub-total (b)		<u>2,903.48</u>	<u>1,095.90</u>
Net Current Assets (a) - (b)		3,327.00	4,425.16
Miscellaneous Expenditure	9	—	33.38
(to the extent not written off or adjusted)			
Total		<u>13,016.60</u>	<u>14,810.69</u>
Significant Accounting Policies and Notes to Accounts Schedules 1 to 9 and 21 form part of the Balance Sheet	21		

As per our report of even date attached

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

R.MUGUNTHAN
Partner
(M No.21397)

Place: Kochi
Date : 13th May 2010

For and on behalf of the board

B K PATODIA **N K BAFNA** **B L SINGHAL**
Chairman & Director Director
Managing Director

R RAJAGOPALAN
Director

PREM MALIK
Director

E K BALKRISHNAN
General Manager & Company Secretary

GTN TEXTILES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

	Schedules	Year Ended 31.03.2010 (Rupees in lacs)	Year Ended 31.03.2009 (Rupees in lacs)
INCOME			
Sales	10	12,305.09	9818.60
Less: Excise Duty		—	—
Other Operating Income	11	192.44	—
Other Income	12	8.67	4.16
Increase/(Decrease) in stocks	13	(986.66)	282.93
Total		<u>11,519.54</u>	<u>10105.69</u>
EXPENDITURE			
Cost of Materials	14	6,411.47	5452.03
Personnel Expenses	15	1,483.46	1,381.19
Manufacturing Expenses	16	1,582.09	1,788.66
Sales and Distribution Expenses	17	335.37	358.21
Other Expenses	18	558.48	1,020.86
Interest Charges	19	758.15	743.24
Amortisation of Miscellaneous Expenditure	20	33.38	21.58
Total		<u>11,162.40</u>	<u>10,765.77</u>
Profit/(Loss) Before Depreciation and Taxes		357.14	(660.08)
Depreciation		678.27	686.04
Profit /(Loss) before Tax		(321.13)	(1,346.12)
Less: Provision for Current Tax		—	—
Less : Deferred Tax Expense/(Benefit)		(103.00)	(327.00)
Less : Provision for Fringe benefit tax		—	15.00
Profit /(Loss) after Tax		(218.13)	(1,034.12)
Add: Surplus brought forward from previous year		—	387.32
Add: Transferred to/(from) General Reserve		218.13	646.80
Profit available for Appropriation		—	—
EARNINGS PER SHARE (EPS)			
Basic/ Diluted EPS (in Rs.) (Face value of Rs.10 each)		(1.87)	(8.88)

Significant Accounting Policies and Notes to Accounts 21
Schedules 10 to 21 form part of the Profit and Loss Account

As per our report of even date attached

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

R.MUGUNTHAN
Partner
(M No.21397)

Place: Kochi
Date : 13th May 2010

For and on behalf of the board

B K PATODIA **N K BAFNA** **B L SINGHAL**
Chairman & Director Director
Managing Director

R RAJAGOPALAN
Director

PREM MALIK
Director

E K BALKRISHNAN
General Manager & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010

	2009-10 (Rs. in lacs)	2008-09 (Rs. in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	(321.13)	(1,346.12)
Adjustments for:		
Depreciation	678.27	686.04
Miscellaneous Expenditure Written off	33.38	21.58
Interest Charged	758.15	743.24
Provision for Doubtful Debts/Advances	—	(0.25)
Loss/(Profit) on Sale of Fixed Assets	(5.76)	(2.84)
Dividend Income	(0.23)	—
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,142.68	101.65
Adjustment for:		
Trade and other Receivables	(1,232.27)	996.93
Inventories	408.15	(185.65)
Trade Payables	1,822.78	(680.33)
CASH GENERATED FROM OPERATIONS	2,141.34	232.60
Direct Taxes Paid (Net of refund)	26.74	(11.34)
NET CASH FROM OPERATING ACTIVITIES	2,168.08	221.26
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(24.66)	(228.82)
Sale of Fixed Assets	14.70	50.53
Dividend Received	0.23	—
NET CASH USED IN INVESTING ACTIVITIES	(9.73)	(178.29)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Long Term Borrowings (Net)	(76.12)	827.90
Proceeds from Hire Purchase Borrowings (Net)	(4.42)	(2.57)
Proceeds from Short Term Borrowings (Net)	(1,392.42)	51.44
Dividend and Dividend Tax Paid	—	(81.71)
Interest Paid	(782.00)	(756.86)
NET CASH FROM FINANCING ACTIVITIES	(2,254.96)	38.20
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(96.61)	81.17
CASH & CASH EQUIVALENTS AS AT (OPENING BALANCE)	257.79	176.62
CASH & CASH EQUIVALENTS AS AT (CLOSING BALANCE)	161.18	257.79

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. Margin Money Deposits 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 **M.S.JAGANNATHAN & VISVANATHAN**
Chartered Accountants

R.MUGUNTHAN
Partner
(M No.21397)

Place: Kochi
Date : 13th May 2010

For and on behalf of the board

B K PATODIA **N K BAFNA** **B L SINGHAL**
Chairman & Director Director
Managing Director

R RAJAGOPALAN
Director

PREM MALIK
Director

E K BALKRISHNAN
General Manager & Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2010 (Rupees in lacs)	As at 31.03.2009 (Rupees in lacs)
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED		
1,20,00,000 Equity shares of Rs. 10 each	<u>1200.00</u>	<u>1200.00</u>
	<u>1200.00</u>	<u>1200.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
1,16,40,478 Equity shares of Rs.10 each fully paid up (Out of the above, 1,15,40,378 Equity shares of Rs.10 each, issued for consideration other than cash, in pursuance of the Scheme of Arrangement)	<u>1164.05</u>	<u>1164.05</u>
Total	<u><u>1164.05</u></u>	<u><u>1164.05</u></u>
SCHEDULE 2		
RESERVES AND SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	<u>2329.78</u>	2976.58
Less: Transfer to Profit & Loss Account	<u>218.13</u>	<u>646.80</u>
	<u>2,111.65</u>	2,329.78
SURPLUS AS PER PROFIT AND LOSS ACCOUNT		
	<u>—</u>	<u>—</u>
Total	<u><u>2111.65</u></u>	<u><u>2329.78</u></u>
SCHEDULE 3		
SECURED LOANS		
I. TERM LOANS		
(a) From Financial Institutions		
Rupee Loans	<u>1038.70</u>	1109.00
Foreign Currency Loans	<u>—</u>	<u>62.30</u>
(b) From Banks		
Rupee Loans	<u>6088.97</u>	6048.63
II. HIRE PURCHASE LOANS		
From Banks	<u>4.29</u>	7.61
From Others	<u>—</u>	<u>1.10</u>
III. WORKING CAPITAL LOANS		
From Banks	<u>2099.12</u>	3467.89
Total	<u><u>9231.08</u></u>	<u><u>10696.53</u></u>

Notes :

1. Term Loans from Financial Institutions and Banks are secured / to be secured by a first charge, by way of equitable mortgage, on all immovable assets, both present and future, and hypothecation of all the movable assets of the company (excluding assets purchased on hire purchase basis), subject to prior charges in favour of Banks for working capital, ranking pari passu, interse. Some of the loans are guaranteed by the one of the Directors of the Company to the extent of Rs 2658.20 lacs (previous year Rs. 1556.67 lacs).
2. Hire Purchase Loans from Banks and others are relating to vehicles and are secured by hypothecation of respective vehicles costing Rs.29.38 lacs (Previous year Rs. 33.98 lacs).
3. (i) Working Capital Loans from Banks are secured by hypothecation of current assets, and further secured/to be secured by way of second charge over the assets mentioned in para (1) above, ranking pari passu interse, and also guaranteed by one of the Directors of the Company.
(ii) Non-fund limits sanctioned by the bankers, are secured by extension of first charge on the current assets of the company and further secured/to be secured by way of second charge on the immovable assets, both present and future, of the company, besides personal guarantee of one of the Directors of the Company to the extent of Rs 2567.04 lacs (Previous year Rs. 1066.00 lacs).

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2010 (Rupees in lacs)	As at 31.03.2009 (Rupees in lacs)
SCHEDULE 4		
UNSECURED LOANS		
Fixed Deposits		
From : Directors	—	2.50
: Others	<u>30.70</u>	<u>35.71</u>
{Payable within one year-Rs 7.28 Lacs (Previous year Rs 30.93 Lacs)}		
Total	<u><u>30.70</u></u>	<u><u>38.21</u></u>

**SCHEDULE - 5
FIXED ASSETS**

(Rupees in lacs)

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION FOR THE YEAR				NET BLOCK	
	As at 01.04.2009	Additions	Deductions/ Adjustments	As at 31.03.2010	Upto 31.03.2009	For the Year	Deductions/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land-Freehold	24.34	—	—	24.34	—	—	—	—	24.34	24.34
Buildings *	1,875.45	0.47	—	1,875.92	932.04	77.44	—	1,009.48	866.44	943.41
Plant & Machinery	10,311.84	23.76	—	10,335.60	3,580.25	531.84	—	4,112.09	6,223.51	6,731.59
Electrical Installations	942.55	1.81	0.65	943.71	373.76	48.76	0.53	421.99	521.72	568.79
Furniture & Office Equipments	340.52	2.66	0.39	342.79	281.54	12.40	0.19	293.75	49.04	58.98
Vehicles **	150.55	—	69.12	81.43	114.38	7.83	60.50	61.71	19.72	36.17
Total	13,645.25	28.70	70.16	13,603.79	5,281.97	678.27	61.22	5,899.02	7,704.77	8,363.28
Previous year	13,487.75	242.09	84.59	13,645.25	4,632.83	686.04	36.90	5,281.97	8,363.28	8,854.92
Capital Work - in Progress	—	—	—	—	—	—	—	—	—	4.04

* includes Rs. 500 (Previous year Rs.500) being cost of shares held in Mittal Chambers Owners' Co-operative Society.

** Include Gross Block of Rs.29.38lacs (Previous year Rs.33.98 lacs) acquired on Hire purchase basis.

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

	As at 31.03.2010	As at 31.03.2009
Buildings	—	—
Plant & Machinery	—	4.04
Borrowing cost	—	—
Total	<u><u>—</u></u>	<u><u>4.04</u></u>

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2010 (Rupees in lacs)	As at 31.03.2009 (Rupees in lacs)
SCHEDULE 6		
INVESTMENTS (LONG TERM) (FULLY PAID UP)		
Trade, Quoted - Long Term (Fully paid up)		
In shares		
1,42,87,068 Equity Shares of Rs.10 each in Patspin India Limited	1964.26	1964.26
152 Equity Shares of Rs.10 each in Central Bank of India	0.16	0.16
In Bonds		
8.15% Tier II Bonds of Central Bank of India - Series X	20.00	20.00
Non Trade, Unquoted		
2,100 Shares of Rs.10 each in GTN Textiles Consumer Co-operative Stores Limited	0.21	0.21
200 Shares of Rs.100 each in GTN Textiles Employees Credit Co-op Society Limited	0.20	0.20
Total	<u>0.41</u>	<u>0.41</u>
	<u>1984.83</u>	<u>1984.83</u>
AGGREGATE VALUE OF QUOTED INVESTMENTS:		
Book Value	1984.42	1984.42
Market Value	1191.76	716.63
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
(a) INVENTORIES		
(As taken, valued and certified by the Management)		
Stores, Spares and Packing Materials	65.50	81.38
Stock In Trade:		
Raw Materials	2598.13	1855.73
Goods-in-Process	173.95	186.95
Finished Goods	486.12	1607.07
Waste Stock	3.27	3.99
	<u>3326.97</u>	<u>3735.12</u>
(b) SUNDRY DEBTORS		
(Unsecured, Considered good unless otherwise stated)		
Over Six months - Considered Doubtful	—	5.05
Less:Provision for Doubtful debts	—	5.05
Other Debts - Considered Good	<u>908.38</u>	<u>770.58</u>
	<u>908.38</u>	<u>770.58</u>
(c) CASH AND BANK BALANCES		
Cash on Hand	30.53	22.81
Balances with Scheduled Banks:		
Current Accounts	130.65	231.96
Margin Money and other lien deposits	425.50	93.44
Unpaid Dividend	8.65	8.83
Other Deposits	—	3.02
	<u>595.33</u>	<u>360.06</u>
(d) OTHER CURRENT ASSETS		
INTEREST ACCRUED AND OTHER CLAIMS RECIEVABLES	<u>192.72</u>	<u>0.42</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2010 (Rupees in lacs)	As at 31.03.2009 (Rupees in lacs)
SCHEDULE 7 (Contd.)		
(e) LOANS AND ADVANCES		
(Unsecured, considered good except otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Capital Advances	0.08	3.81
Other Advances \ Recievables :		
Considered Good	1014.70	436.09
Considered Doubtful	2.91	2.25
Less: Provision for Doubtful advance	<u>2.91</u>	<u>2.25</u>
Deposits	108.65	108.23
Balances with Excise and Sales tax Authorities	24.09	37.75
Advance Income Tax including Tax Deducted at Source	59.56	69.01
{Net of Provision Rs.126.67 lacs (Previous year Rs.126.67 lacs)}		
	<u>1207.08</u>	<u>654.88</u>
Total	<u><u>6230.48</u></u>	<u><u>5521.06</u></u>
 SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors :		
Due to Micro Small and Medium Enterprises	—	0.99
Due to Others	<u>2723.66</u>	<u>895.23</u>
Interest accrued but not due on loans	7.26	31.11
Due to Investor's Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates:		
Unclaimed Dividend - Equity	8.65	8.83
Other Liabilities	163.91	159.74
	<u>2903.48</u>	<u>1095.90</u>
 SCHEDULE 9		
MISCELLANEOUS EXPENDITURE		
Compensation paid for Voluntary Retirement Scheme		
Unamortised balance at the year beginning	33.38	54.96
Less : Amortised during the year	33.38	21.58
Total	<u><u>—</u></u>	<u><u>33.38</u></u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year Ended 31.03.2010 (Rupees in lacs)	Year Ended 31.03.2009 (Rupees in lacs)
SCHEDULE 10		
SALES		
Finished Goods :		
Exports	5224.93	6765.36
Local	5734.49	2047.99
Traded Goods:		
Exports	550.47	232.04
Waste and other Sales:		
Exports	58.70	239.31
Local	466.29	254.31
Export Incentives	270.21	279.59
Total	<u>12305.09</u>	<u>9818.60</u>
SCHEDULE 11		
OTHER OPERATING INCOME		
Insurance claim - on stock damaged due to fire		
- Finished goods	148.01	—
- Raw material	44.43	—
Total	<u>192.44</u>	<u>—</u>
SCHEDULE 12		
OTHER INCOME		
Dividend - on long term trade Investments	0.23	—
Profit on sale / discard of Fixed Assets (Net)	5.76	2.84
Miscellaneous Receipts	2.68	1.32
Total	<u>8.67</u>	<u>4.16</u>
SCHEDULE 13		
INCREASE/(DECREASE) IN STOCKS		
Closing Stock:		
Finished Goods	486.12	1607.07
Goods-in-process	173.95	186.95
Waste	<u>3.27</u>	<u>3.99</u>
	663.34	1798.01
Less: Opening Stock		
Finished Goods	1607.07	1356.47
Goods-in-process	186.95	155.21
Waste	<u>3.99</u>	<u>3.40</u>
	1798.01	1515.08
	<u>(1,134.67)</u>	<u>282.93</u>
Less: Stock damaged due to Fire	148.01	—
Total	<u>(986.66)</u>	<u>282.93</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Contd.)

	Year Ended 31.03.2010 (Rupees in lacs)	Year Ended 31.03.2009 (Rupees in lacs)
SCHEDULE 14		
COST OF MATERIALS		
Opening Stock	1855.73	1916.50
Add:Purchases	9320.71	5540.97
Less:Sales	2662.86	365.85
Less: Stock damaged due to fire	44.43	—
Less:Closing Stock	2598.13	1855.73
Raw Materials Consumed	5871.02	5235.89
Purchase of Traded Goods	540.45	216.14
Total	<u>6411.47</u>	<u>5452.03</u>

SCHEDULE 15**PERSONNEL EXPENSES**

Salaries, Wages and Bonus	1054.74	1008.73
Contribution to Provident and Other Funds	175.58	191.68
Welfare Expenses	204.86	125.48
Managing Director's Remuneration	48.28	55.30
Total	<u>1483.46</u>	<u>1381.19</u>

SCHEDULE 16**MANUFACTURING EXPENSES**

Processing Charges	58.06	217.79
Power and Fuel	1130.63	1092.15
Stores, Spares and Packing Materials	330.30	356.71
Repairs and Maintenance:		
Building	0.94	35.53
Plant and Machinery	25.33	42.12
Others	36.83	44.36
Total	<u>1582.09</u>	<u>1788.66</u>

SCHEDULE 17**SALES AND DISTRIBUTION EXPENSES**

Commission and Brokerage	179.58	167.04
Freight, Forwarding and Other Expenses	155.79	191.17
Total	<u>335.37</u>	<u>358.21</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Contd.)

	Year Ended 31.03.2010 (Rupees in lacs)	Year Ended 31.03.2009 (Rupees in lacs)
SCHEDULE 18		
OTHER EXPENSES		
Insurance	30.49	32.90
Rates and Taxes	19.05	11.99
Rent	11.38	7.76
Auditors' Remuneration	2.29	1.82
Directors' Sitting fees	2.48	2.94
Telephone and Fax Charges	12.61	13.87
Postage and Courier Charges	8.01	8.36
Donations	—	0.26
Travelling and Conveyance	51.05	64.59
Printing and Stationery	14.85	15.40
Advertisement	1.11	2.65
Motor Vehicle Maintenance	15.58	16.61
Bank and Finance Charges	103.14	85.45
Provision for Doubtful Debts and Advances (Net)	1.22	(0.25)
Miscellaneous Expenses	66.93	76.22
Stock damaged due to fire	192.44	—
Foreign Exchange difference - (Net)	(12.72)	315.53
Loss on cancellation of forward cover (Net)	38.57	364.76
Total	<u>558.48</u>	<u>1020.86</u>
SCHEDULE 19		
INTEREST		
On Fixed Loans and Deposits	520.50	415.05
On Others (Net)	237.65	328.19
Total	<u>758.15</u>	<u>743.24</u>
SCHEDULE 20		
MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Voluntary Retirement Scheme amount amortised	33.38	21.58
Total	<u>33.38</u>	<u>21.58</u>

NOTES FORMING PART OF ACCOUNTS

SCHEDULE 21

I. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

The financial statements have been prepared to comply with the mandatory Accounting Standards prescribed by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, on the basis of a going concern, on accrual basis.

B) USE OF ESTIMATES

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

C) FIXED ASSETS

(i) All fixed assets are stated at cost less accumulated depreciation. Expenditure during construction period in respect of new project/ expansion is allocated to the respective fixed assets on their being ready for commercial use. Also refer Policy G and J below.

(ii) Impairment of Assets :

The company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to recoverable amount and the impairment loss is charged to Profit and Loss account. If at the Balance Sheet date there is any deduction that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

D) INVESTMENTS

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

E) INVENTORIES

Inventories are valued at lower of cost or net realisable value. Cost of Raw Material is computed by using "Specific Identification" method and for other inventories "Weighted Average" method. The cost includes cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

F) REVENUE RECOGNITION

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

G) BORROWING COST

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

H) DEPRECIATION

Depreciation has been 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 on the amounts capitalised on account of foreign exchange fluctuations is provided prospectively over the residual life of the assets.

Depreciation on Plant & Machinery and Electrical Installations is provided on Straight Line Method. In respect of other assets depreciation is provided on Written Down Value Method.

NOTES FORMING PART OF ACCOUNTS (Contd..)

I) EMPLOYEE BENEFITS

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

Defined Contribution plans :

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

Defined Benefits Plan:

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

Termination Benefits:

Unamortized balance in respect of Voluntary Retirement Scheme payment to be charged off within 5 years or 31.03.2010, whichever is earlier.

J) FOREIGN CURRENCY TRANSACTIONS:

Transactions in Foreign Currency are recorded at the rate of exchange in force at the date of transactions. Foreign Currency assets and liabilities are stated at the rate of exchange prevailing at the year end and resultant gains/losses are recognized in the profit and loss account. Premium / Discount in respect of Forward Foreign Exchange contracts is recognized over the life of the contracts.

In accordance with the AS-11 (Revised 2003), Foreign Currency loans availed before 01.04.2004 for acquiring Fixed Assets are translated at the Exchange Rates prevailing at the end of the year and Gains/Losses of such translations are adjusted to the cost of Fixed Assets.

K) TAXATION

Income Tax expense comprises Current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

Deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future; however where there is unabsorbed depreciation or carry forward loss under Taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain as the case may be to be realized.

Tax credit is recognized in respect of Minimum Alternative Tax (MAT) as per the provisions of section 115JAA of the Income Tax Act, 1961 based on evidence that the company will pay normal income tax within the statutory time frame and is reviewed at each balance sheet date.

L) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the company has a present obligation as a result of a past event,
- b) the probable outflow of resources is expected to settle the obligation and
- c) the amount of the obligation can be reliably estimated.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, such reimbursement is recognized to the extent of provision or contingent liability as the case may be, only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) a possible obligation, unless the probability of outflow of resources is remote

NOTES FORMING PART OF ACCOUNTS (Contd..)

II. NOTES FORMING PART OF ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital account and are not provided for (net of advances) Rs.Nil Lacs (Previous year Rs.Nil Lacs).
2. Contingent Liabilities not provided for in respect of disputed demands for taxes, duties and other claims not acknowledged as debts :
 - (i) Corporate guarantee given by the company to a bank in respect of short term loan borrowed by Patspin India Limited – Rs. Nil (Previous year- Rs.650.00 Lac) and the loan outstanding at the year end is Rs.Nil (Previous year – Rs.650.00 Lac)
3. (i) The amount of foreign exchange difference(net) included in the Net Loss for the year amounts to Rs. 12.72 lacs credit (Previous year Rs. 315.53 lacs debit). This includes loss on account of export Rs. 40.73 Lac (previous year Rs. 583.54 Lacs - Loss) and gain on account of import Rs.53.45 Lac (Previous year Rs. 268 Lacs - Gain) as shown in Schedule 18.
 - (ii) Foreign exchange difference (Net) adjusted to the cost of respective fixed assets Rs. 3.83 lacs - Loss (Previous year Rs. 32.77 Lacs - Gain)
 - (iii) Outstanding Forward Contracts (not in the nature of derivatives) as on 31st March 2010 which were entered into for hedging exchange risk arising from foreign currency fluctuations related to highly probable future transactions amount to US\$ 44.24 lacs (Previous year US\$ 64.41 lacs) at average Exchange Rate of Rs.47.16/US\$ (Previous year Rs 45.56/US\$). The period covered under these contracts spreads over April 2010 to March 2011(Previous year April,2009 to January,2010). The average Exchange Rate applicable for above period based on exchange rate on 31.03.2010 works out to Rs.45.90/US\$, (previous year Rs 51.57/US\$) resulting a notional profit of Rs.55.88 lacs(Previous year notional loss of Rs 386.33 Lacs).
 - (iv) Particulars of unhedged Foreign Currency exposures as at 31.03.2010 are given below:

Particulars	As at 31.03.2010			As at 31.03.2009		
	Amount (USD) in lacs	Exchange Rate Rs	Amount (Rs in lacs)	Amount (USD) in lacs	Exchange Rate Rs	Amount (Rs in lacs)
Accounts Payable	USD 8.44	45.14	380.84	USD1.72	50.97	87.91
	EUR 0.11	60.46	6.69	EUR 0.09	67.60	6.33
	JPY2.99	0.48	1.44			
Term Loan Principal	Nil	Nil	Nil	USD 1.23	50.97	62.69
Term Loan Interest	Nil	Nil	Nil	USD 0.02	50.97	1.02

4. Stock of Raw Materials costing Rs. 44.43 lacs as referred to in Schedule 14 and Finished Goods valued at Rs. 148.01 lacs as referred to in Schedule 13 forming part of Profit & loss Account represents the Cost of Inventory damaged on account of Fire. Damaged inventory is covered under Insurance and the Management is certain that the insurance claim will realize the value of such Raw Materials at Replacement cost and such finished goods at Realizable value. Considering prudence and certainty of realization, the Insurance claim is measured and recognized only to the extent of Cost of Goods Damaged, and shown as "Other Operating Income" in Schedule 11 forming part of Profit & loss Account. The amount of such damaged stock totaling to Rs. 192.44 lacs is shown under "Other Expenses" in Schedule 18 forming part of Profit & Loss Account.
5. In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.
6. Balance of certain creditors, debtors, loans, advances given and certain non-operative bank accounts are subject to confirmation and reconciliation, if any. However in the opinion of management, there would not be any material impact on financial statements.
7. Based on information available with the Company regarding the status of suppliers, defined under Micro, Small and Medium Enterprises Development Act, 2006 and payments to them as specified under the notification GSR 719 (E) dated 16th November, 2007 are as follows:

NOTES FORMING PART OF ACCOUNTS (Contd..)

		2009-10	2008-09
a.	The principal amount and interest due thereon remaining unpaid as on the Balance sheet date	Rs. Nil	Rs.Nil
b.	Interest paid along with the amount of the payment during the year	Rs.Nil	Rs.Nil
c.	Interest due and payable but without adding the interest specified in the above mentioned act	Rs.Nil	Rs.Nil
d.	Interest accrued and remaining unpaid at the end of the year	Rs.Nil	Rs.Nil
e.	Amount of interest remaining due and payable in subsequent years, and such interest actually paid to and deductible expenditure under section 23 of the said act	Rs.Nil	Rs.Nil

8. Interest on others in Schedule 19 is net of interest income of Rs.12.14 Lacs (Previous year Rs. 26.79 Lacs), Tax Deducted at Source thereon Rs.2.40 Lacs (Previous year Rs. 4.09 Lacs).
9. Considering the strategic and long term nature of the investments and asset base of the investee company, in the opinion of the management, the decline in the market value of certain quoted investments is of temporary nature and requires no provisioning.
10. In terms of Accounting Standard - 17, the Company operates materially only in one business Segment viz., cotton yarn and have its production facilities and all other assets located in India. Sales to external customers comprise exports sales of Rs.5834.10 Lacs (Previous year Rs. 6653.16 Lacs) and domestic sale of Rs.6200.78 Lacs (Previous year Rs. 2302.28 Lacs).
11. Deferred Tax Liability / (Asset) as at the year end comprise timing differences on account of :

	As at 31.03.2010 (Rs. in lacs)	As at 31.03.2009 (Rs. in lacs)
Depreciation	1441.38	1480.62
Unabsorbed Depreciation	(960.13)	(898.70)
Expenses allowable	(2.13)	0.20
Deferred Tax Liability (Net)	479.12	582.12

12. Loans and Advances in the nature of loans to associates/employees (disclosure pursuant to clause 32 of the listing agreement) :

Name	Amount outstanding (Rs. in Lacs)		
	Rate of Interest	As on 31.03.2010	Maximum outstanding during the year
Employees (as per the general policy of the Company)	Nil (Nil)	7.35 (7.34)	7.57 (8.57)

13. Earnings per share :

		2009-10 (Rs. in Lacs)	2008-09 (Rs. in Lacs)
Numerator :			
Net Profit attributable to the Equity Shareholders		(218.13)	(1034.12)
Denominator :			
Weighted average Equity Shares	Nos.	1,16,40,478	1,16,40,478
Basic and Diluted Earnings Per Share (face value of Rs.10 each)	Rs.	(1.87)	(8.88)

NOTES FORMING PART OF ACCOUNTS (Contd..)
14. Hire Purchase Assets

Particulars	Total minimum payments outstanding (Rs in Lacs)	Future interest on outstanding (Rs in Lacs)	Present value of minimum payments (Rs in Lacs)
1. Due within one year	3.17	2.03	1.14
2. Between one year to five years	5.02	1.88	3.14
Total	8.19	3.91	4.28

15. Disclosure in respect of Company's interest in Joint Venture in India pursuant to Accounting Standard 27.
Financial Reporting of Interest in Joint Ventures:

		As at 31.03.2010	As at 31.03.2009
A)	Name of the Venture : Patspin India Limited		
B)	Proportion of Ownership interest :	46.21 %	46.21 %
C)	The Aggregate of Company's share in the above ventures in:		
		(Rs in Lacs)	(Rs in Lacs)
	Assets		
	Fixed Assets:		
	Net Fixed Assets	11292.45	12100.54
	Capital Work-in-progress	1.92	1.65
	Investments:	0.15	0.15
	Current Assets, Loans and Advances :		
	Current Assets	4067.80	3036.55
	Loans and advances	988.32	1226.92
	Liabilities		
	Borrowings	13342.07	12918.71
	Current Liabilities	1640.75	2005.04
	Provisions	—	—
	Deferred Tax Liability (Net)	209.49	303.92
	Income		
	Sales / Stock adjustments	13526.53	10774.27
	Expenditure		
	Cost of Materials	8828.28	7104.86
	Personnel Expenses	641.22	639.37
	Manufacturing Expenses	1609.73	1374.41
	Sales & Distribution Expenses	450.38	488.57
	Interest Charges	952.71	1048.82
	Other Expenses	402.31	925.31
	Depreciation	924.07	865.08
	Provision for Current Tax	—	—
	Provision for Deferred Tax	(94.43)	(476.45)
	Fringe Benefit Tax	—	7.34
	Contingent Liabilities	338.88	894.57

NOTES FORMING PART OF ACCOUNTS (Contd..)

16. Disclosure in respect of Accounting standard 15 -"Employee benefits" notified in the Companies (Accounting standards) Rule 2006.

Employee benefits		Gratuity (Funded) 2009-10 Rs.	Gratuity (Funded) 2008-09 Rs.
A.	Expenses recognised during the year		
	1. Current Service cost	2133905	2133905
	2. Interest Cost	4816933	4643315
	3. Expected return on plan assets	(6117956)	(5383964)
	4. Net Actuarial (gain)/ loss recognized in the year	2168210	(1084186)
	5. Expenses recognised in statement of Profit and loss	3001092	309070
B.	Actual return on Plan assets		
	1. Expected return on Plan assets	6117956	5383964
	2. Actuarial Gain/(Loss) on Plan assets	—	—
	3. Actual return on plan assets	6117956	5383964
C.	Net Asset/(Liability) recognised in the Balance Sheet		
	1. Present value of obligations as at the end of year	65358759	60211661
	2. Fair value of plan assets as at the end of the year	72412649	67444279
	3. Funded status	7053890	7232618
	4. Net asset/(liability) recognized in balance sheet	(7053890)	(7232618)
D.	Change in Present value of the obligation during the year		
	1. Present value of obligations as at beginning of year	60211661	58041442
	2. Interest cost	4816933	4643315
	3. Current Service Cost	2133905	2133905
	4. Benefits Paid	(3971950)	(3522815)
	5. Actuarial (gain)/ loss on obligations	2168210	(1084186)
	6. Present value of obligations as at end of year	65358759	60211661
E.	Change in assets during the year		
	1. Fair value of plan assets at beginning of year	67444279	59866253
	2. Expected return on plan assets	6117956	5383964
	3. Contributions	2822364	5716877
	4. Benefits Paid	(3971950)	(3522815)
	5. Actuarial gain/(loss) on Plan assets	Nil	Nil
	6. Fair value of plan assets at the end of year	72412649	67444279
F.	Actuarial Assumptions		
	1. Discount rate	8.00%	8.00%
	2. Salary escalation	4.00%	3.00%
	3. Expected rate of return on plan assets	9.07%	9.00%

NOTES FORMING PART OF ACCOUNTS (Contd..)

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

(A) List of related parties:

(As identified by the Management)

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

i) **JOINT VENTURES**

Patspin India Limited

ii) **ASSOCIATES**

GTN Enterprises Limited

iii) **KEY MANAGEMENT PERSONNEL AND ENTERPRISES (HAVING COMMON KEY MANAGEMENT PERSONNEL OR THEIR RELATIVES)****Key Management Personnel**

Shri. B.K. Patodia- Chairman & Managing Director

Enterprises/Entities having common Key Management Personnel

Beekaypee Credit (P) Limited

Patodia Exports & Investments (P) Limited

Umang Finance Pvt. Ltd.

Yarn Syndicate Limited.

Relatives of Key Management Personnel

Shri. Umang Patodia, Son of Shri B.K. Patodia

Shri. Ankur Patodia, Son of Shri B.K. Patodia

Smt. Prabha Patodia, Wife of Shri B.K. Patodia

Smt. Mala Patodia, Wife of Shri Umang Patodia

Smt. Swati Patodia, Wife of Shri Ankur Patodia

Kum. Aanavi Patodia, Daughter of Shri Umang Patodia

Mast. Arnav Patodia, Son of Shri Umang Patodia

Kum. Annaya Patodia, Daughter of Shri Ankur Patodia

(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)

Nature of Transactions	Joint Ventures	Associates	Key Management Personnel	Enterprises/ Relatives of Key Management Personnel
1. Sales, Service and other income	2367.15 (964.07)	1445.65 (618.49)	— (—)	0.51 (—)
2. Purchase of Goods and Services	2258.23 (500.09)	925.67 (896.67)	— (—)	6.86 (1.80)
3. Interest Paid	— (—)	— (—)	— (8.20)	0.94 (7.81)
4. Managerial Remuneration	— (—)	— (—)	48.28 (55.30)	— (—)
5. Sitting Fees	— (—)	— (—)	— (—)	— (0.74)
6. Loans taken (Fixed Deposits)	— (—)	— (—)	— (—)	4.80 (1.10)
7. Loans repaid (Fixed Deposits)	— (—)	— (—)	— (—)	4.10 (193.00)

NOTES FORMING PART OF ACCOUNTS (Contd..)

(C) Outstanding balances as on 31.03.10

(Rs. in lacs)

Particulars	Joint Ventures	Associates	Key Management Personnel	Enterprises/ Relatives of Key Management Personnel
1. Loans received	— (—)	— (—)	— (—)	9.20 (8.50)
2. Investments	1964.26 (1964.26)	— (—)	— (—)	— (—)
3. Guarantee given	— (650.00)	— (—)	— (—)	— (—)

Note : No amounts have been provided for / written off during the year.
Figures in brackets represent previous year's figures.

(d) Details of Material Transactions with Related Party

- (a) Sale of cotton to Patspin India Limited Rs. 1932.16 lacs (Previous year Rs.533.63 Lacs), Sale of yarn to Patspin India Limited Rs.404.82 lacs (Previous year Rs.375.90 Lacs), Processing Charges received from Patspin India Limited Rs.28.09 Lacs (Previous year Rs.13.12 Lacs), Rent received from Patspin India Limited Rs.1.32 Lacs (Previous year Rs.1.32 Lacs), Sale of machinery to Patspin India Limited Rs.Nil (Previous year Rs.40.10 Lacs), Sale of store item to Patspin India Limited Rs. 0.76 Lacs (Previous year Nil), Sale of cotton to GTN Enterprises Limited Rs.1101.35 (Previous year Rs. 159.60 Lacs), Sale of yarn to GTN Enterprises Limited Rs.329.69 Lacs(Previous year Rs. 366.11 Lacs),Sale of machinery to GTN Enterprises Limited Nil (Previous year Rs. 1.12 lacs), Sale of store item to GTN Enterprises Limited Rs. 0.78 Lacs (Previous year Rs.3.42 Lacs),Processing Charges received from GTN Enterprises Limited Rs.12.63 Lacs (Previous year Rs. 87.03 Lacs), Rent received from GTN Enterprises Limited Rs.1.20 Lacs (Previous year Rs.1.20 Lacs) and Sale of yarn to Yarn Syndicate Ltd. Rs.0.51 Lac (Previous year Nil.)
- (b) Purchase of cotton from Patspin India Limited Rs.1585.21 Lacs (Previous year Nil), Purchase of yarn from Patspin India Limited Rs.668.55 Lacs (Previous year Rs.470.64 Lacs), Purchase of store item from Patspin India Limited Nil (Previous year Rs.0.21 Lacs), Processing Charges paid to Patspin India Limited Rs.4.47 Lacs (Previous year Rs.29.24 Lacs), Purchase of cotton from GTN Enterprises Limited Rs.494.31 Lacs (Previous year Rs.465.29 Lacs), Purchase of yarn from GTN Enterprises Limited Rs.311.48 Lacs (Previous year Rs. 289.29 Lacs),Process charges paid to GTN Enterprises Limited Rs.119.88 Lacs (Previous year Rs. 140.70 Lacs), Purchases of stores items from GTN Enterprises Limited Nil (Previous year Rs. 1.38 Lac), Commission paid to Purav Trading Co. Rs.3.26 Lac (Previous year Nil) and rent paid to Mrs.Prabha Patodia Rs. 1.80 Lacs (Previous year Rs.0.80 Lacs), Shri. Umang Patodia Rs. Nil (Previous year Rs. 0.50 Lac),Shri. Ankur Patodia Rs. Nil (Previous year Rs 0.50 lac) Mrs.Swati Patodia Rs. 0.88 Lac (Previous year Nil) and Mrs. Mala Patodia Rs. 0.92 Lac (Previous year Nil)
- (c) Corporate Guarantee given to Patspin India Ltd Nil (previous year Rs 650 Lacs)

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

(A) Installed Capacity : (As certified by the Management)

Description of the Item	As at 31.03.2010	As at 31.03.2009
Spindles – In Nos.	58864	58864

(B) Sales, Production and Stocks

Finished Goods	Unit	Opening stock	Production	Sales	Closing stock
Yarn	Lac Kgs. (Lac Kgs.)	5.02 (4.13)	36.16 (29.53)	39.53 (28.64)	1.65 (5.02)
	Rs. in lacs (Rs. in lacs)	1607.07 (1356.47)	— (—)	10959.42 (8813.35)	486.12 (1607.07)

NOTES FORMING PART OF ACCOUNTS (Contd..)

(C) Sale of Cotton

Particulars	Unit	Sales
Cotton	Lac Kgs. (Lac Kgs.)	29.43 (3.36)
	Rs. in lacs (Rs.in Lacs)	2662.86 (365.85)

(D) Raw Materials consumed

Particulars	Year ended 31.03.2010			Year ended 31.03.2009		
	(Kgs. in lacs)	(Rs. in lacs)	% of total consumption value	(Kgs. in lacs)	(Rs. in lacs)	% of total consumption value
Cotton Imported	23.20	2553.76	43.53	29.69	3280.00	66.02
Cotton Indigenous	20.38	1693.56	28.83	8.11	570.33	11.48
Yarn Indigenous*	6.33	1623.70	27.64	4.18	1117.55	22.50
Total	49.91	5871.02	100.00	38.98	4967.88	100.00

* represents semi - finished goods (Yarn) purchased and consumed.

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

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Raw Material – Cotton	3065.70	3698.57
Stores	25.41	26.98
Capital Goods	8.45	40.34

(F) Value of Consumption

Stores, Spares, Packing Materials and others

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Rs. in lacs	%	Rs. in lacs	%
Imported	36.42	10.86	36.05	9.82
Indigenous	298.81	89.14	331.15	90.18
Total	335.23	100.00	367.20	100.00

*Includes HSD value of Rs.4.93 Lacs (Previous year Rs.10.50 Lacs), Charged to Power and fuel.

Components (for Repairs & Maintenance (Machinery)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Rs. in lacs	%	Rs. in lacs	%
Imported	0	0	0.77	17.04
Indigenous	1.73	100	3.75	82.96
Total	1.73	100	4.52	100.00

(G) Traded Goods (Cotton Yarn)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Rs. in lacs	%	Rs. in lacs	%
Opening Stock	—	—	—	—
Purchases	4.23	540.45	1.24	216.14
Sales	4.23	550.47	1.24	232.04
Closing Stock	—	—	—	—

NOTES FORMING PART OF ACCOUNTS (Contd..)**(H) Expenditure in Foreign Currency (on remittance basis)**

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Agents' Commission	123.39	120.75
Interest	1.35	9.76
Ocean Freight	Nil	6.39
Others	24.11	35.58

(I) Earnings in Foreign Exchange

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
FOB Value of Exports (Rs. in lacs)	5731.76	6491.79

19. REMUNERATION TO CHAIRMAN & MANAGING DIRECTOR**a) Details of Chairman & Managing Director's Remuneration**

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Salaries	34.56	38.40
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	10.61	13.34
Perquisites	3.11	3.56
Total	48.28	55.30

b) As no commission is being paid to the Chairman & Managing Director, computation under Section 198/349 of the Companies Act has not been disclosed**20. AUDITORS' REMUNERATION:**

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Audit fees	1.38	1.10
Tax Audit fees	0.27	0.20
Taxation /other Services	0.09	0.04
Out of Pocket expenses	0.21	0.14
Sub Total	1.95	1.48
Cost Audit fees	0.34	0.34
Total	2.29	1.82

21. Previous year figures have been regrouped and rearranged wherever necessary so as to make them comparable with those of the current year.

BALANCE SHEET ABSTRACT AND COMPANYS' 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

CIN	L18101KL2005PLCO18062	State Code	09
Balance Sheet Date	31 03 2010	Date	Month Year

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

Public Issue (incl.Calls in arrears)	NIL	Rights issue	NIL
Private placement	NIL		

III Position of Mobilisation and Deployment Of Funds (Amount in Rs. Lacs)

Total Liabilities	13017	Total Assets	13017
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Sources of Funds :

Paid up Capital	1164	Reserves & Surplus	2112
Secured Loans	9231	Unsecured Loans	31
Def.Tax liability	479		

Application of Funds :

Net Fixed Assets	7705	Investments	1985
Net Current Assets	3327	Misc. Expenditure	—

IV Performance of Company (Amount in Rs. Lacs)

Turnover (Incl Stock Adjustment and other income)	11519	Total Expenditure	11162
Profit / Loss Before Tax	357	Profit / Loss After Tax	(218)
Earning per share in Rs.	(1.87)	Dividend rate	—

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

As per our report of even date attached

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

R.MUGUNTHAN
Partner
(M No.21397)

Place: Kochi
Date : 13th May 2010

For and on behalf of the board

B K PATODIA **N K BAFNA** **B L SINGHAL**
Chairman & Director Director
Managing Director

R RAJAGOPALAN
Director

PREM MALIK
Director

E K BALKRISHNAN
General Manager & Company Secretary



GTN TEXTILES LIMITED

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

FIFTH ANNUAL GENERAL MEETING

Folio No./Client ID No. :

No. of Shares :

I / We of in the District of being Member(s) of the above named Company, hereby appoint .. of or failing him of or failing him of in the District of as my / our proxy to attend and vote for me / us on my / our behalf at the **FIFTH ANNUAL GENERAL MEETING** of the Company to be held at 'Oceanic Hall', Hotel Periyar, Aluva – 683 101 on Saturday, 31st July, 2010 at 1.00 p.m or at any adjournment thereof.

Signed this day of, 2010.

Please affix
Re.1/-
Revenue
Stamp

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

Attendance Slip



GTN TEXTILES LIMITED

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

FIFTH ANNUAL GENERAL MEETING

Folio No./Client ID No. :

No. of Shares :

Full Name of the Member attending :
(In BLOCK letters)

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

Full Name of Proxy :
(To be filled in by the Proxy attending instead of the Member)

I, hereby record my presence at the **FIFTH ANNUAL GENERAL MEETING** of the Company to be held at 'Oceanic Hall', Hotel Periyar, Aluva – 683 101 on Saturday, 31st July, 2010 at 1.00 p.m or at any adjournment thereof.

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

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

BOOK POST



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

An ISO 9001: 2000/14001:2004 Certified Company
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