

6TH ANNUAL REPORT 2010 / 2011



▶ Board of Directors

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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

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

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GTN TEXTILES LIMITED

ATTENTION MEMBERS

1. All Members (both Physical and Demat) are requested to lodge their e-mail ID's along with Name and Folio / Client ID No. at the following address / e-mail to enable us to send all future communications including Annual Reports through e mode.

Company Secretary
GTN Textiles Ltd.
Palal Towers,
M.G. Road, Ravipuram,
Kochi- 682 016,
cs@gtntextiles.com

Integrated Enterprises (India) Ltd.
2nd Floor, Kences Towers, No.1,
Ramakrishna Street, T Nagar
Chennai- 600 017.
corpser@iepindia.com, shaji@iepindia.com

2. SEBI has made it mandatory for every participant in the securities/capital market to furnish the details of Income Tax Permanent Account Number (PAN). Accordingly, all the shareholders holding shares in physical form are requested to submit their details of PAN alongwith photocopy of both sides of PAN Card, duly attested to the Registrar and Share Transfer Agent of the Company, M/s. Integrated Enterprises (India) Ltd. as above.

NOTICE

NOTICE is hereby given that the **Sixth** Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva – 683 101 at 12.15 p.m on Friday, the 29th day of July 2011, to transact the following business.

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
- 2) To appoint a Director in place of Shri. N.K Bafna, who retires by rotation and being eligible, offers himself for reappointment.
- 3) To appoint a Director in place of Shri. Prem Malik, who retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. **Approval to extend mortgage in favour of Working Capital Bankers on Second 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 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 (CBI) and State Bank of Travancore (SBT) to secure on pari passu second charge basis:

- i) Additional working capital limits of Rs 1640 lacs lent and advanced by Central Bank of India (CBI) to the Company;
- ii) Additional Working Capital limits of Rs.740 lacs lent and advanced by State Bank of Travancore (SBT) to the Company

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

E.K. BALAKRISHNAN
General Manager &
Company Secretary

Place: Kochi
Date: 10th May, 2011

NOTICE (Contd.)

NOTES:

- A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the Proxy need not be a Member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
- An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto and forms part of the Notice.
- The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Saturday, the 23rd July, 2011 to Friday, the 29th July, 2011 (both days inclusive).
- Pursuant to Section 205A (5) of the Companies Act, 1956, as amended with effect from 31st October 1998, dividend 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.

- Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and / or amount payable in respect of the shares shall vest in the event

of the death of the Shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination Form. The facility of nomination is not available to non-individual Shareholders such as Body Corporates, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trust and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s.Integrated Enterprises (India) Limited.

- Disclosure relating to particulars of Cost Auditor as per general Circular No.15/2011 dated 11th April, 2011 for the year ended 31.03.2010.

Name	M/s STR & Associates
Address	Mr.S.T.Rengarajan, STR & Associates, 37 &38, Kaveri Nagar, Srirangam, Trichy - 620 006. Ph: 0431 6547726, 2432224 e mail ID's : strengarajan@hotmail.com strassociates@rediffmail.com
Due date for filing Cost Audit Report	30.09.2010
Actual date of filing	18.09.2010

REQUEST TO THE MEMBERS

- 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.
- 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.
- All communications relating to shares including change in address are to be addressed to the Company's Share Transfer Agents M/s. Integrated Enterprises (India) Ltd., 2nd Floor, Kences Towers, No.1, Ramakrishna Street, T Nagar, Chennai-600017, Tel. 044 28140801-803; E-Mail:corpsew@iepindia.com or shaji@iepindia.com.
- Members who hold shares in physical form are requested to dematerialise their holdings for facilitating the transfers of company's equity shares in all stock exchanges connected to the depository system.

NOTICE (Contd.)

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

Name of Director	N.K. Bafna	Prem Malik
Date of Birth	03.07.1939	03.02.1942
Date of appointment	18.5.2008	17.12.2005
Qualification	B.Com, FCA, Law Graduate	Post Graduate, Punjab University
Expertise in specific functional area	Shri. N.K. Bafna, aged 72 years, is a Practicing Chartered Accountant and Senior Partner of M/s. Lodha & Co., Chartered Accountants, Mumbai. Besides his proficiency in Finance and Accounts he is also an expert in Company Law matters.	Shri. Prem Malik, aged 69 years, is a post graduate from Punjab University and is having over 4 decades of experience in textiles and clothing. He had worked as Executive Director of main Board of M/s. Mafatlal Fine Spinning & Manufacturing Company Limited. Presently, he is a Textile Consultant/Advisor and is Director on various Forums viz Confederation of Indian Textile Industry, Cotton Textile Export Promotion Council, Synthetic Rayon Textile Export Promotion Council etc.
Shareholding in the Company	None	None

Details of other Directorship:-

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri. N.K. Bafna	Patspin India Limited	Director	Audit Shareholders/IGC	Chairman Member
	Prime Urban Development India Ltd.	Director	Shareholders/IGC Audit	Chairman Member
	National Collateral Management Services Ltd.	Director	Audit	Chairman
Shri. Prem Malik	Gyscoal Alloys Limited	Director	Audit	Member
	Spentex Industries Limited	Director	Audit	Member
	Indo Count Industries Limited	Director	None	None
	Alder Trading Co. Pvt. Ltd.	Director	None	None
	Smilleville Care Pvt. Ltd.	Director	None	None
	CLC Textiles Park Pvt. Ltd.	Chairman & Managing Director	None	None

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

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 10th May, 2011

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM No.5:**

The Company has availed/to be availed additional financial assistance by way of enhanced Working Capital Limits of Rs. 1640 lacs and Rs 740 lacs from Central Bank of India and State Bank of Travancore respectively. The said financial assistance is to be secured by way of pari passu second charge on the 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 & SBT for the above said financial assistance ranking pari passu in all respects with the existing mortgage on the Company's property and assets created in favour of Banks/Financial Institution for the loans granted by them to the company.

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

None of the Directors is interested or concerned in this resolution.
Your Directors recommend this resolution for approval.

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

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 10th May, 2011

GTN TEXTILES LIMITED

DIRECTORS' REPORT

To the Members,

ANNUAL REPORT

Your Directors present the **SIXTH** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2011.

FINANCIAL RESULTS

(Rs. in lacs)

Particulars	Year ended 31.3.2011	Year ended 31.3.2010
INCOME		
Net sales / Income from operations	14893	12305
Other Operating Income (Insurance Claim)	1	192
Other income	3	5
Variation in Stock	(48)	(987)
Total	<u>14849</u>	<u>11515</u>
EXPENDITURE		
a) Cost of materials	8564	6411
b) Staff Cost	1771	1483
c) Power Cost	1172	1131
d) Other expenditure	1475	1373
Total	<u>12982</u>	<u>10398</u>
OPERATING PROFIT		
	1867	1117
Interest	747	760
Profit before depreciation and taxation	1120	357
Depreciation	649	678
PROFIT BEFORE TAX	471	(321)
Provision for current tax (MAT)	—	—
Provision for deferred tax	90	(103)
PROFIT AFTER TAX	381	(218)
Transfer from General Reserve	—	218
Surplus Carried to Balance Sheet	<u>381</u>	<u>—</u>

DIVIDEND

In spite of improved results, with a view to conserve available resources, your Directors regret their inability to recommend dividend for the financial year ended 31st March, 2011.

PERFORMANCE REVIEW

Your Directors are glad to report that performance of the Company during the year has been impressive, led by strong demand from international as well as domestic markets. Your Company's business was adversely affected during 2008-09 global financial crisis. However, as reported in the previous Directors' Report, the Company witnessed upswing in consumer demand for textile products from second half of Fiscal 2009-10. This was possible as many of the global economies progressed commendably, sooner than expected, leading to revival of textile industry.

Total revenues of your company for the year increased to Rs.148.93 crores from Rs.123.05 crores. Operating Profit and Cash Profit improved to Rs.18.67 crores and Rs.11.20 crores from Rs.11.17 crores and Rs.3.57 crores respectively in the previous year. At net level, there was a remarkable turn around with Profit before Tax at Rs.4.71 crores as against a loss of Rs.3.21 crores in the previous year. The year was marked with excessive volatility in cotton prices which peaked to historical high owing to shortfall in crop in many of the cotton growing countries. However, your management's core competency in procurement of cotton helped the Company in judicious and timely buying of raw material. As a result, while the cotton cost could be averaged out, margins could be improved through yarn prices which remained higher in line with cotton prices. The performance could have been still better but for loss of production during negotiation of long term work load and wages agreement which was concluded with workmen during January 2011.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

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

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

FIXED DEPOSITS

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

DIRECTORS' REPORT (Contd.)

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Shri N.K. Bafna and Shri Prem Malik, Directors, retire from Office by rotation and are eligible for re-appointment.

AUDITORS

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

PERSONNEL & INDUSTRIAL RELATIONS

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

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

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Place : Kochi,
Date : 10th May, 2011

B.K PATODIA
Chairman

ATTENTION MEMBERS

1. All Members (both Physical and Demat) are requested to lodge their e-mail ID's along with Name and Folio / Client ID No. at the following address / e-mail to enable us to send all future communications including Annual Reports through e mode.

Company Secretary
GTN Textiles Ltd.
Palal Towers,
M.G. Road, Ravipuram,
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Integrated Enterprises (India) Ltd.
2nd Floor, Kences Towers, No.1,
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Chennai- 600 017.
corpserv@iepindia.com, shaji@iepindia.com

2. SEBI has made it mandatory for every participant in the securities/capital market to furnish the details of Income Tax Permanent Account Number (PAN). Accordingly, all the shareholders holding shares in physical form are requested to submit their details of PAN alongwith photocopy of both sides of PAN Card, duly attested to the Registrar and Share Transfer Agent of the Company, M/s. Integrated Enterprises (India) Ltd. as above.

ANNEXURE TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

- a) energy conservation measures taken.

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

- b) additional investments and proposals, if any, being implemented for reduction of consumption of energy
- c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- d) Total energy consumption and energy consumption per unit of production as prescribed in Form-A

	Year ended 31.3.2011	Year ended 31.3.2010
I. Power and fuel consumption		
1 Electricity		
a) Purchased (Units in lacs)	325.09	326.50
Total amount (Rs. In lacs)	1164.98	1125.70
Rate per unit (Rs.)	3.58	3.45
b) Own generation		
i) through Diesel Generator (units in lacs)	0.49	0.50
Total amount (Rs. in lacs)	6.64	4.93
Units per liter of diesel oil	3.40	3.47
Cost per unit (Rs.)	13.55	9.86
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 31.3.2011	Year ended 31.3.2010
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	11.62	8.92
b) Furnace Oil	Nil	Nil
c) Coal	Nil	Nil
d) Others	Nil	Nil

B. Technology Absorption

Efforts made in Technology Absorption as per Form B:

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

C. Foreign Exchange Earnings & Outgo

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

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

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

Earned: Rs.8491.28 lacs (Previous year Rs.5816.30 lacs) (including shipping freight realisation and agents commission) Used: Rs.3791.37 lacs (Previous year Rs.3211.85 lacs)

For and on behalf of the Board

Place : Kochi,
Date : 10th May, 2011

B.K PATODIA
Chairman

GTN TEXTILES LIMITED

REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy on Code of Corporate Governance

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

2) Board of Directors

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

As on 31st March, 2011, the Board comprises of 4 Independent Directors constituting 67% of the total Board strength.

Composition and category of Directors is as follows:

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

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

Name of the Director	Attendance particulars		No. of other Directorships and Committee memberships / Chairmanships			Relationship interse Directors
	Board meetings	Last AGM	Other Directorship including Pvt. Ltd.Cos.	Other Committee Membership #	Other Committee Chairmanship #	
Shri. B K Patodia	4	Yes	9	None	None	None
Shri. N K Bafna	4	Yes	3	5	2	
Shri. B L Singhal	4	Yes	9	6	3	
Shri. R Rajagopalan	4	Yes	3	6	4	
Shri. Prem Malik	3	Yes	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 has been considered.

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

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

The details of the Board Meetings are as under:-

Sl. No.	Date	Board Strength	No. of Directors present
1)	13th May, 2010	6	5
2)	30th July, 2010	6	5
3)	29th October, 2010	6	4
4)	28th January, 2011	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 / Chief internal auditor, Cost Auditor, fixation of audit fee ,approval for payment for any other services and also approval of appointment of Chief Financial Officer (CFO).

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

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

The details of the meetings are as under:-

Sl. No.	Date	Committee Strength	No. of Directors present
1)	13th May, 2010	4	4
2)	30th July, 2010	4	4
3)	29th October, 2010	4	3
4)	28th January, 2011	4	4

At the Annual General Meeting of the company held on 31st July, 2010 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 were also attending the Audit Committee meetings.

i) Internal Audit and Control:

M/s Varma & Varma, Chartered Accountants, Kochi, Internal Auditors carried out Audit of the Company. Internal Audit Plan and their remuneration are being approved by the Audit Committee. The reports and findings of the Internal Auditors and the Internal Control Systems are periodically reviewed by the Audit Committee.

ii) Prevention of Insider Trading:

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

iii) Risk Management:

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

4) Remuneration Committee

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

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

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

The aggregate of salary and perquisites paid for the year ended 31st March, 2011 to Managing Director, was as follows:-

Shri.B K Patodia : Rs.41.77 lacs

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

Remuneration paid to Non-Executive Directors:

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

The details of payment of sitting fee are as follows;

Meeting	Amount (in Rs)
Board	7500
Committee	5000

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

Name of the Non-Executive Director	Sitting fee (Rs.)
Shri. N.K Bafna	75000
Shri. B L Singhal	75000
Shri. R Rajagopalan	75000
Shri. Prem Malik	42500
Total	267500

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

5) Shareholders / Investors' Grievance Committee

The Board has constituted Shareholders / Investors' Grievance Committee comprising Shri.R Rajagopalan, Chairman; Shri.N K Bafna, 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)	13th May, 2010	3	3
2)	30th July, 2010	3	3
3)	29th October, 2010	3	3
4)	28th January, 2011	3	3

The Board has designated Shri.E K Balakrishnan, General Manager & Company Secretary as the Compliance Officer.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Investor Grievance Redressal:

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

Type of complaints	Number of complaints
Non-receipt of Annual Reports	1
Non-receipt of Dividend Warrants	7
Non-receipt of Share Certificates	1
Complaints in respect of Electronic Transfers	Nil
Complaints / queries received from Regulatory Agencies	Nil
Total:	9

There were no outstanding complaints as on 31st March, 2011. 4 requests for dematerialization were pending in the NSDL system for approval as on 31st March, 2011 and 1 request was pending in the CDSL System, which were approved / confirmed on 4th, 5th & 7th April, 2011.

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

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

6) General Body Meetings:

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

Year	Location	Date	Day	Time	Special Resolution
2007-08	'Oceanic Hall' Hotel Periyar, Aluva – 683 101	25.07.2008	Friday	12.15 p.m	Fixing of Remuneration to the Managing Director
2008-09	-do-	31.07.2009	Friday	12.15 p.m	Consent for Delisting of Company's Equity Shares from the Cochin Stock Exchange Limited (CSEL)
2009-10	-do-	31.07.2010	Saturday	1.00 p.m	Consent for appointment and fixing of remuneration of Managing Director

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) Related Party Transactions/Material Contract

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

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

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

ii) Details of Compliance

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

None.

iii) Code of Conduct

The Company has laid down a Code of Conduct for all Board Members as well as for all Employees of the Company. The Code of Conduct is available on www.gntextiles.com. The Managing Director has confirmed and declared that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. The declaration to that effect forms part of this report.

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

a) The Board

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

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

b) Remuneration Committee

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

c) Shareholder Rights

The Company's quarterly and half yearly results are published in the Newspaper and also uploaded on its website www.gntextiles.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 2010-11.

e) Others

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

v) Reconciliation of Share Capital Audit

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

8) Means of communication

Half-yearly report sent to each household of shareholders

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

Quarterly results

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

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

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	:	Friday, 29th July, 2011, 12.15 p.m.
b)	Venue	:	'Oceanic Hall', Hotel Periyar, Aluva Pin: 683 101.
c)	Financial calendar (tentative):		
	Annual General Meeting	:	Friday, 29th July, 2011
	Results for quarter ending 30th June, 2011	:	Thursday, 28th July, 2011
	Results for quarter ending 30th Sept., 2011	:	Second week of November, 2011
	Results for quarter ending 31st Dec., 2011	:	Second week of February, 2012
	Results for Year ending 31st March, 2012	:	Second week of May, 2012, if it is un-audited and last week of May, 2012, if it is audited.
d)	Book closure date	:	Saturday, the 23rd day of July, 2011 to Friday, the 29th day of July, 2011 (both days inclusive)

II) Listing

a)	Listing of Equity Shares on Stock Exchanges at	:	Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE)
b)	Listing Fee	:	Annual Listing fee for the year 2011-12 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 :

(in Rs. per Share)

Month	BSE		NSE	
	High	Low	High	Low
April 2010	14.50	10.70	14.35	10.75
May 2010	15.90	11.41	16.05	11.80
June 2010	18.45	12.66	18.35	12.60
July 2010	20.25	15.85	20.25	16.00
August 2010	17.30	15.00	17.65	15.00
September 2010	19.10	15.90	19.00	15.95
October 2010	19.30	15.60	19.30	15.70
November 2010	24.00	17.05	24.30	16.70
December 2010	20.75	16.70	21.15	15.20
January 2011	20.40	15.75	20.50	13.50
February 2011	19.90	15.00	20.35	15.00
March 2011	16.85	14.70	18.80	14.85

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

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

(a) Shareholding pattern as on 31st March, 2011:

S.No.	Category	No. of Shares	% of Shareholding
01)	Promoters & Associates (Patodia Family)	7146603	61.40
02)	Indian Financial Institutions, Banks, Mutual Funds	89905	0.77
03)	Foreign Institutional Investors/NRIs	9540	0.08
04)	Others	4394430	37.75
	Total:-	11640478	100.00

(b) Distribution on Shareholding as on 31st March, 2011:

No. of shares held	No. of Shareholders	% of Shareholders	No. of shares (Issued Equity)	% of Shareholding
Upto 100	22165	86.22	706877	6.07
101-500	2394	9.31	684690	5.88
501-1000	593	2.31	500848	4.30
1001-10000	495	1.93	1392384	11.96
10001-100000	46	0.18	905008	7.78
Above 100000	14	0.05	7450671	64.01
Total	25707	100.00	11640478	100.00

REPORT ON CORPORATE GOVERNANCE (Contd.)

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 29th April, 2011, 51.44% of shares of the Company were held in Dematerialized form.

Pursuant to Clause 5A of the Listing Agreement in respect of uniform procedure for dealing with unclaimed shares in physical mode and getting the same dematerialized after completing the procedure as prescribed, the Company's Registrar & Share Transfer Agent is in the process of complying with the same.

Liquidity of shares:

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

VIII)	Plant Location:-	Door No.VIII/911, Erumathala Post, Aluva, Ernakulam District, Kerala – 683 112
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IX) Address for correspondence:-

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

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

“As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, this is to declare that all the Members of the Board and the Senior Management have affirmed with the Code of Conduct for the year ended 31st March, 2011”

For **GTN TEXTILES LIMITED**

Place: Kochi
Date: 10th May, 2011

B K PATODIA
Chairman & Managing Director

The above report was adopted by the Board of Directors at their meeting held on 10.05.2011.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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, 2011 as stipulated in clause 49 of the Listing agreement(s) of the said company with the stock exchange(s) in India.

The compliance of conditions on Corporate Governance is the responsibility of the Company's Management. Our examination was carried out in accordance with to 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)

R. MUGUNTHAN
Partner
M No.21397

Place : Kochi
Date : 10th May, 2011

ATTENTION MEMBERS

1. *All Members (both Physical and Demat) are requested to lodge their e-mail ID's along with Name and Folio / Client ID No. at the following address / e-mail to enable us to send all future communications including Annual Reports through e mode.*

*Company Secretary
GTN Textiles Ltd.
Palal Towers,
M.G. Road, Ravipuram,
Kochi- 682 016,
cs@gtntextiles.com*

*Integrated Enterprises (India) Ltd.
2nd Floor, Kences Towers, No.1,
Ramakrishna Street, T Nagar
Chennai- 600 017.
corpserv@iepindia.com, shaji@iepindia.com*

2. *SEBI has made it mandatory for every participant in the securities/capital market to furnish the details of Income Tax Permanent Account Number (PAN). Accordingly, all the shareholders holding shares in physical form are requested to submit their details of PAN alongwith photocopy of both sides of PAN Card, duly attested to the Registrar and Share Transfer Agent of the Company, M/s. Integrated Enterprises (India) Ltd. as above.*

GTN TEXTILES LIMITED

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 11 per cent in 2010-11. This sector currently employs about 35 million workers directly and 47 million workers in allied sectors like Agriculture.

Working of Indian textile industry which had undergone a very difficult phase for almost two years from 2007-08 on account of adverse factors like financial turmoil in industrialized countries leading to economic slowdown, unprecedented hike in Minimum Support Prices of Raw cotton and massive exports of raw cotton, recovered remarkably from the third quarter of 2009-10. The markets became buoyant on account of strong domestic demand arising from favourable demographic factor and rapid changes in the lifestyle of consumers. Although currently there is a temporary slowdown in demand both in the domestic and international markets, the overall sentiment is positive and optimistic for the sustained growth in demand in the period ahead. Another favourable factor is that in the coming cotton season, Indian cotton crop is expected to be higher and prices are forecasted to be relatively lower than the current levels. The cumulative impact of all these favourable factors augurs well for the improved working of textile industry.

The factors which impact working of textile industry are:

- (1) The average prices of cotton during October 2010 - March 2011 reached historic high with escalation of around 85 per cent over the corresponding period of last year. This is the primary reason for an increase in the cost of production of cotton yarn. Although from mid-April 2011 cotton prices have shown a softening trend, cotton prices in the period ahead will generally remain at higher level than what was prevailing prior to 2010-11 cotton season.
- (2) Frequent and several changes brought about by Government in the policy for exports of cotton yarn from April, 2010 onwards, impeding the hitherto smooth flow of exports.
- (3) Increase of two to three per cent in the cost of borrowings.

The focus of monetary policy followed by Reserve Bank of India (RBI) has been to tackle the inflationary pressures in the economy. Consequently, RBI has been escalating the rates of interest from time to time. In fact, during the last one year, the Reserve Bank of India has increased the rate of interest eight times, resulting in cumulative increase of 2.5 per cent.

- (4) Fluctuations in Rupee Exchange Rate

The Rupee exchange rate which was Rs. 44.47 to US Dollar in April, 2010 and Rs. 47 in July 2010, strengthened to Rs. 45 in March, 2011. Any fluctuation in the exchange rate impact export realizations.

It is pertinent to mention that despite the above mentioned adverse factors, there has been improvement in the working of textile industry primarily due to strong domestic as well as international demand.

Spinning and Weaving Capacities

Figures of world's installed spinning and weaving capacities are available upto end December 2009. As of 2009, world's total spindleage was 227 million, with China having 110 million spindles, representing the share of 48 per cent and India having 41.53 million spindles, representing 18 per cent. As of December 2010, however, India's installed spindles have increased to 44.32 million, accounting for 20 per cent of the global spindleage. It is significant to mention that in one year, India's spindleage has increased by 2.8 million and it is projected that in future spindleage will increase at the rate of 3 to 3.5 million per annum. Deducting 9.88 million spindles of closed mills, the number of active spindles works out to around 34.5 million. The number of installed open-end rotors has also increased to 740 thousand in December, 2010 as compared to 668 thousand in December, 2009. It is pertinent to point out that expansion of spinning capacity has been significant both in the organized and small spinning sector.

In addition, mills have placed huge orders for spindles with machinery manufacturers. This will lead to expansion and modernization of spinning sector. Thus, it will be in a position to cater to the 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 for a span of eight years from 1st April, 1999 to 31st March, 2007. Further, under the modified TUF Scheme operative from 1st April, 2007, investments during three years 2007-08 to 2009-10, increased considerably towards modernization and expansion of spinning capacity.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

to earlier repayment period of ten years with two years moratorium.

The number of looms in the mill sector continues to remain stagnant at 71,000 for the last five years. However, the weaving capacity in the power loom sector has increased from 22.05 lakh looms in 2008-09 to 22.70 lakh looms as of October, 2010.

Production of Yarn

The total production of spun yarn which had marginally declined from 4003 million kgs in 2007-08 to 3912 million kgs in 2008-09 rose to 4193 million kgs in 2009-10. For the year 2010-11, the production is projected at 4650 million kgs, showing a rise of 11 per cent. Similarly, production of cotton yarn had also escalated from 2896 million kgs in 2008-09 to 3079 million kgs in 2009-10. For the year 2010-11, production of cotton yarn is projected at 3510 million kgs. This shows a rise of 14 per cent. For the year 2011-12, the Textile Commissioner has projected the production of cotton yarn at 3931 million kgs. However, the Industry Associations have projected the production at around 4000 million kgs. With the continuing modernization and expansion in capacity, production of cotton yarn will continue to expand in coming years.

Exports of Cotton Yarn

In pursuance of National Fibre Policy, Government set up in September 2010, Cotton Yarn Advisory Board (CYAB) to advise the Government on matters pertaining to production, consumption and availability of cotton yarn. There were four meetings of CYAB during the year under review.

After protracted deliberations at the Board meetings, the Cotton Yarn Balance Sheet for 2010-11 was drawn up in terms of which exportable surplus was arrived at 720 million kgs. Although some of the stakeholders like AEPC, Tirupur Exporters Association did not agree to this figure, the Ministry of Textiles went ahead and fixed the export ceiling at 720 million kgs for 2010-11. Subsequently, DGFT issued notification restricting exports of cotton yarn from 1st December, 2010, under the licensing procedure. Subsequently, several changes were made in the procedure for exports of yarn. Consequent to the procedural wrangles, exports of cotton yarn came to a grinding halt from mid-January 2011 upto end March, 2011. As a result, stocks of cotton yarn piled up with mills, affecting the financial viability of the spinning industry.

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 September 2010. Hence, no authentic figures of exports of cotton yarn for the full year 2010-11 are available but one could safely assume that exports would have more or less reached the ceiling of 720 million kgs.

For the year, 2011-12 also, there was no consensus amongst various stakeholders on the figure of ceiling for cotton yarn exports. However, the Textile Commissioner has recommended to the Government of India a ceiling of 845 million kgs. The representatives of textile industry have recorded their dissent to this figure. The industry has represented to Government that in view of ongoing modernization and expansion of capacity, there is no need to restrict cotton yarn exports which should be allowed freely from 1st April, 2011.

Upto 2009-10 exports of cotton yarn were operating smoothly and were in the range of 20 to 22 per cent of the production of cotton yarn. The slipshod manner in which Government has handled exports of cotton yarn has done immense harm to the textile industry. Fortunately, DGFT has since notified that exports of cotton yarn will be free from 1st April, 2011, subject, of course, to registration of contracts with Offices of DGFT.

Cotton Scenario

For the cotton season 2009-10, Cotton Advisory Board has estimated area under cotton at 103.10 lakh hectares and crop 295 lakh bales. The per hectare yield for the season dropped to 486 kgs as against 524 kgs achieved in 2008-09 and 567 kgs in 2007-08. For the cotton season 2010-11, Cotton Advisory Board has estimated the area at 111.61 lakh hectares and a crop of 312 lakh bales per hectare yield in the cotton season 2011-12 works out lower at 475 kgs.

Earlier, the CAB had estimated the crop at 329 lakh bales. However, due to unseasonal rains and extreme cold wave, the crop was damaged in Gujarat, Maharashtra and Andhra Pradesh. Almost 88 per cent of the total cotton acreage has been under Bt. cotton. In the years to come, the share of Bt. cotton in the total production is expected to increase.

For the cotton year 2010-11 CAB had arrived at the figure of 55 lakh bales of cotton as exportable surplus. The full quantity has since been exported. The cotton trade has been clamouring for additional exports in spite of the fact that closing stock is the lowest in the last seven years. The textile industry has been persistently pleading that every cotton year, exports should be allowed only from January after the exportable surplus is determined in December, after providing for two-and-half months stocks for the user industry. It is heartening to note that the Commerce and Industry Minister has made a categorical statement that there was no scope for additional exports of cotton in the current season and therefore further exports of cotton can be considered only in the new cotton season.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Production of organic cotton at global level has been continually rising. The global production of organic cotton in 2009-10 reached the level of 2,42,000 metric tons, registering a growth of 15 per cent over 2008-09. India's production of organic cotton in 2009-10 was over 195,000 metric tons, accounting for a hefty share of 81 per cent in the global production. The world over the demand for organic textile products has been rising and it is expected that India's production of organic cotton and its downstream products will increase further to meet this demand.

With Government's 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 encouraging factors are: growing awareness among farmers for adoption of better technology and augmented supply of a good quality seed. The area under cotton cultivation for the season 2011-12 is expected to rise to 120 lakh hectares and preliminary estimates are that cotton production in the next season will be around 350 lakh bales, subject to normal monsoon and favourable agro-climatic conditions. 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 has been observed that the performance of textile industry hinges largely on adequate availability of quality cotton. The industry has the potential to absorb larger cotton crop with the expansion of capacity. However, Government should exercise abundant caution in deciding policy for exports of raw cotton, keeping overall national interest in mind.

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

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

ICAC's price forecast (Cotlook 'A' Index) for the season 2009-10 was 78 cents per pound. For 2010-11 the earlier forecast of 85 cents per pound went totally haywire and the price spurted to a steep level of \$ 1.65 per pound. For the season 2011-12, the current forecast is that it will be significantly lower than \$ 1.65 per pound, but it will be higher than the ten-year average of 60 cents per pound. It is the considered opinion of cotton experts that for a couple of years, cotton prices might remain at higher level and they will start moderating only after supply imbalance is corrected.

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 2011-12 is forecast to be comfortable.

It may be stated that Duty Drawback is not incentive but only refund of indirect taxes suffered by export products. 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 Government will restore the Duty Drawback for cotton yarn.

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 will 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 and positive.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

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, fair trade and Better Cotton Initiative (BCI) textile products have also proved to be effective.
- (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 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. Recent increase in the quota for duty-free imports of garments from Bangladesh to India from 8 to 10 million pieces is a case in point.

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, 2011, the Company has about 943 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, 2011, 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, 2011, 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, 2011;
 - b) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

(R.MUGUNTHAN)
PARTNER
M NO.21397

Place : Kochi
Date : 10th May, 2011

Annexure referred to in our Report of even date on the accounts for the year ended 31st March, 2011 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 year.
- (c) During the year, there was no sale of substantial part of fixed assets and hence the going concern of the Company is not affected.
- (ii) (a) 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 National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the Books of Account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
- (b) According to the information and explanation given to us there are no dues of which have not been deposited on account of dispute.
- (x) The Company does not have any accumulated losses as at 31st March, 2011. The Company has not incurred cash loss during the financial year covered by our audit and 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.
- (xiii) 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.
- (xiv) In our opinion and according to the information and explanations given to us, during the year Company has not given guarantee for loan borrowed by others.
- (xv) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvi) 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.
- (xvii) 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.
- (xviii) The Company has not issued any debentures during the year.
- (xix) The Company has not raised any monies by way of Public Issues during the year.
- (xx) According to the explanation and information given to us, based upon the audit procedures performed and representations made by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our Audit.

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

(R.MUGUNTHAN)
PARTNER
M NO.21397

Place : Kochi
Date : 10th May, 2011

GTN TEXTILES LIMITED

BALANCE SHEET AS AT 31st MARCH, 2011

	Schedules	As at 31.03.2011 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,164.05	1,164.05
Reserves and Surplus	2	2,492.61	2,111.65
		<u>3,656.66</u>	<u>3,275.70</u>
Loan Funds			
Secured Loans	3	9,634.11	9,231.08
Unsecured Loans	4	38.88	30.70
		<u>9,672.99</u>	<u>9,261.78</u>
Deferred Tax Liability (Net)		569.12	479.12
Total		<u>13,898.77</u>	<u>13,016.60</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	13,263.86	13,603.79
Less: Depreciation		6,320.88	5,899.02
Net Block		<u>6,942.98</u>	<u>7,704.77</u>
Capital Work-In-Progress		—	—
		<u>6,942.98</u>	<u>7,704.77</u>
Investments	6	1,984.83	1,984.83
Current Assets, Loans and Advances			
Inventories		3,841.37	3,326.97
Sundry Debtors		1,117.45	908.38
Cash and Bank Balances		1,068.02	595.33
Other Current assets		7.34	192.72
Loans and Advances		1,358.27	1,207.08
Sub-total (a)		<u>7,392.45</u>	<u>6,230.48</u>
Less: Current Liabilities and Provisions			
Liabilities	8	2,421.49	2,903.48
Provisions		—	—
Sub-total (b)		<u>2,421.49</u>	<u>2,903.48</u>
Net Current Assets (a) - (b)		4,970.96	3,327.00
Miscellaneous Expenditure	9	—	—
(to the extent not written off or adjusted)			
Total		<u>13,898.77</u>	<u>13,016.60</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:10th May, 2011

For and on behalf of the board

B K PATODIA
Chairman &
Managing Director

B L SINGHAL
Director

E.K. BALAKRISHNAN
General Manager & Company Secretary

GTN TEXTILES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

	Schedules	Year Ended 31.03.2011 (Rupees in lacs)	Year Ended 31.03.2010 (Rupees in lacs)
INCOME			
Sales	10	14,892.68	12,305.09
Other Operating Income	11	—	192.44
Other Income	12	3.49	4.54
Increase/(Decrease) in stocks	13	(47.61)	(986.66)
Total		<u>14,848.56</u>	<u>11,515.41</u>
EXPENDITURE			
Cost of Materials	14	8,564.26	6,411.47
Personnel Expenses	15	1,770.62	1,483.46
Manufacturing Expenses	16	1,826.18	1,582.09
Sales and Distribution Expenses	17	450.10	335.37
Other Expenses	18	370.61	552.72
Interest Charges	19	747.17	759.78
Amortisation of Miscellaneous Expenditure	20	—	33.38
Total		<u>13,728.94</u>	<u>11,158.27</u>
Profit Before Depreciation and Taxes		1,119.62	357.14
Less: Depreciation		<u>648.66</u>	<u>678.27</u>
Profit /(Loss) before Tax		470.96	(321.13)
Less : Provision for Current Tax		—	—
Less : Deferred Tax Expense/(Benefit)		<u>90.00</u>	<u>(103.00)</u>
Profit /(Loss) after Tax		380.96	(218.13)
Add: Surplus brought forward from previous year		—	—
Add: Transferred to/(from) General Reserve		—	<u>218.13</u>
Surplus carried over to Balance Sheet		<u>380.96</u>	<u>—</u>
EARNINGS PER SHARE (EPS)			
Basic/ Diluted EPS (in Rs.) (Face value of Rs.10 each)		3.27	(1.87)

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

For and on behalf of the board

B K PATODIA
Chairman &
Managing Director

B L SINGHAL
Director

R. MUGUNTHAN
Partner
(M No.21397)

Place: Kochi
Date:10th May, 2011

E.K. BALAKRISHNAN
General Manager & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

	2010-11 (Rs. in lacs)	2009-10 (Rs. in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS	470.96	(321.13)
Adjustments for:		
Depreciation	648.66	678.27
Miscellaneous Expenditure Written off	—	33.38
Interest Charged	747.17	758.15
Loss/(Profit) on Discard /Sale of Assets	118.00	(5.76)
Dividend Income	—	(0.23)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,984.79	1,142.68
Adjustment for:		
Trade and other Receivables	2.68	(1,232.27)
Inventories	(514.40)	408.15
Trade Payables	(496.18)	1,822.78
CASH GENERATED FROM OPERATIONS	976.89	2,141.34
Direct Taxes Paid(Net of Refund)	(4.62)	26.74
NET CASH FROM OPERATING ACTIVITIES	972.27	2,168.08
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(45.97)	(24.66)
Sale of Fixed Assets	39.18	14.70
Dividend Received	—	0.23
NET CASH USED IN INVESTING ACTIVITIES	(6.79)	(9.73)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Long Term Borrowings (Net)	(982.19)	(76.12)
Proceeds from Hire Purchase Borrowings (Net)	3.49	(4.42)
Proceeds from Short Term Borrowings (Net)	1,389.91	(1,392.42)
Interest Paid	(732.98)	(782.00)
NET CASH FROM FINANCING ACTIVITIES	(321.77)	(2,254.96)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	643.71	(96.61)
CASH & CASH EQUIVALENTS AS AT (OPENING BALANCE)	161.18	257.79
CASH & CASH EQUIVALENTS AS AT (CLOSING BALANCE)	804.89	161.18

Note:

1. The above cash flow statement has been prepared by using the indirect method as per Accounting Standard 3 - Cash Flow Statement
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:10th May, 2011

For and on behalf of the board

B K PATODIA
Chairman &
Managing Director

B L SINGHAL
Director

E.K. BALAKRISHNAN
General Manager & Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2011 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED :		
1,20,00,000 Equity shares of Rs. 10 each	<u>1,200.00</u>	<u>1,200.00</u>
	<u>1,200.00</u>	<u>1,200.00</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>1,164.05</u>	<u>1,164.05</u>
Total	<u>1,164.05</u>	<u>1,164.05</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	2,111.65	2,329.78
Less: Transfer to Profit & Loss Account	<u>—</u>	<u>218.13</u>
	2,111.65	2,111.65
SURPLUS AS PER PROFIT AND LOSS ACCOUNT		
Total	<u>380.96</u>	<u>—</u>
	<u>2,492.61</u>	<u>2,111.65</u>
SCHEDULE 3		
SECURED LOANS		
I. TERM LOANS		
(a) from Financial Institutions	888.70	1,038.70
(b) from Banks	5,280.20	6,088.97
II. HIRE PURCHASE LOANS		
(a) From Banks	—	4.29
(b) From Others	7.78	—
III. WORKING CAPITAL LOANS		
(a) From Banks	<u>3,457.43</u>	<u>2,099.12</u>
Total	<u>9,634.11</u>	<u>9,231.08</u>

Notes :

1. Term Loans 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. Certain loans are guaranteed by one of the Directors of the Company to the extent of Rs. 2,054.20 lacs (previous year Rs 2,658.20 lacs).
2. Hire Purchase are relating to vehicles and are secured by hypothecation of respective vehicles costing Rs.17.05 lacs (Previous year Rs. 29.38 lacs).
3. (i) Working Capital Loans 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 2,420.00 lacs (Previous year Rs. 2,567.04 lacs).

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2011 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SCHEDULE 4		
UNSECURED LOANS		
Fixed Deposits		
From: Corporate	8.50	8.50
From: Public	30.38	22.20
{Payable within one year-Rs 38.88 Lacs(Previous year Rs 7.28 Lacs)}		
Total	<u>38.88</u>	<u>30.70</u>

SCHEDULE - 5
FIXED ASSETS

(Rupees in lacs)

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions/ Adjustments	As at 31.03.2011	Upto 31.03.2010	For the Year	Deductions/ Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land-Freehold	24.34	—	—	24.34	—	—	—	—	24.34	24.34
Buildings *	1,875.92	0.18	5.34	1,870.76	1,009.48	70.47	4.05	1,075.90	794.86	866.44
Plant & Machinery	10,335.60	25.74	353.63	10,007.71	4,112.09	515.60	199.99	4,427.70	5,580.01	6,223.51
Electrical Installations	943.71	2.72	3.41	943.02	421.99	45.59	2.65	464.93	478.09	521.72
Furniture & Office Equipments	342.79	8.71	16.44	335.06	293.75	11.63	16.06	289.32	45.74	49.04
Vehicles **	81.43	6.70	5.16	82.97	61.71	5.37	4.05	63.03	19.94	19.72
Total	13,603.79	44.05	383.98	13,263.86	5,899.02	648.66	226.80	6,320.88	6,942.98	7,704.77
Previous year	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
Capital Work - in Progress	—	—	—	—	—	—	—	—	—	—

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

** Includes Gross block of Rs.17.05 lacs (Previous year Rs.29.38 lacs) acquired on Hire purchase basis.

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2011 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SCHEDULE 6		
INVESTMENTS		
TRADE, QUOTED - LONG TERM (FULLY PAID UP)		
In shares		
Patspin India Limited - 1,42,87,068 Equity Shares of Rs.10 each	1,964.26	1,964.26
Central Bank of India - 152 Equity Shares of Rs.10 each	0.16	0.16
In Bonds		
Central Bank of India - Series X 8.15% Tier II Bonds	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	0.41
Total	<u>1,984.83</u>	<u>1,984.83</u>
AGGREGATE VALUE OF QUOTED INVESTMENTS :		
Book Value	1,984.42	1,984.42
Market Value	2,306.15	1,191.76
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
(a) INVENTORIES		
Stores, Spares and Packing Materials	55.61	65.50
Stock In Trade:		
Raw Materials	3,022.02	2,598.13
Goods-in-Process	229.83	173.95
Finished Goods	528.85	486.12
Waste Stock	5.06	3.27
	<u>3,841.37</u>	<u>3,326.97</u>
(b) SUNDRY DEBTORS		
(Unsecured and Considered good)		
Over Six months	—	—
Other Debts	1,117.45	908.38
	<u>1,117.45</u>	<u>908.38</u>
(c) CASH AND BANK BALANCES		
Cash on Hand	41.66	30.53
Balances with Scheduled Banks:		
In Current Accounts	763.23	130.65
In Margin Money and other lien deposits	254.58	425.50
In Unpaid Dividend	8.55	8.65
	<u>1,068.02</u>	<u>595.33</u>
(d) OTHER CURRENT ASSETS		
Interest accrued and other claim receivables	7.34	192.72

SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

	As at 31.03.2011 (Rupees in lacs)	As at 31.03.2010 (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	2.01	0.08
Other Advances \ Receivables :		
Considered Good	1,161.55	1,014.70
Considered Doubtful	2.91	2.91
Less : Provision for Doubtful advance	<u>2.91</u>	<u>2.91</u>
Advance Income Tax including Tax Deducted at Source {Net of Provision Rs.126.67 lacs (Previous year Rs.126.67 lacs)}	64.18	59.56
Deposits	112.06	108.65
Balances with Excise and Sales tax Authorities	<u>18.47</u>	<u>24.09</u>
	<u>1,358.27</u>	<u>1,207.08</u>
Total	<u><u>7,392.45</u></u>	<u><u>6,230.48</u></u>

SCHEDULE 8**CURRENT LIABILITIES AND PROVISIONS****CURRENT LIABILITIES**

Sundry Creditors :

Due to Micro Small and Medium Enterprises	—	—		
Due to Others	<u>2,203.10</u>	<u>2,203.10</u>	<u>2,723.66</u>	2,723.66
Interest accrued but not due on loans		21.45		7.26
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		8.55		8.65
Other Liabilities		<u>188.39</u>		<u>163.91</u>
Total		<u><u>2,421.49</u></u>		<u><u>2,903.48</u></u>

SCHEDULE 9**MISCELLANEOUS EXPENDITURE**

Compensation paid for Voluntary Retirement Scheme

Unamortised balance at the year beginning	—	33.38
Less : Amortised during the year	<u>—</u>	<u>33.38</u>
Total	<u><u>—</u></u>	<u><u>—</u></u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year Ended 31.03.2011 (Rupees in lacs)	Year Ended 31.03.2010 (Rupees in lacs)
SCHEDULE 10		
SALES		
Finished Goods :		
Exports	7,907.38	5,224.93
Local	5,757.46	5,734.49
Traded Goods:		
Exports	583.88	550.47
Waste and other Sales:		
Exports	—	58.70
Local	626.63	466.29
Export Incentives	17.33	270.21
Total	<u>14,892.68</u>	<u>12,305.09</u>
SCHEDULE 11		
OTHER OPERATING INCOME		
Insurance claim - on stock damaged due to fire		
- Finished Goods	—	148.01
- Raw Materials	—	44.43
Total	<u>—</u>	<u>192.44</u>
SCHEDULE 12		
OTHER INCOME		
Dividend - on long term trade Investments	—	0.23
Interest - on long term trade Investments	1.63	1.63
Insurance claim	0.66	—
Miscellaneous Receipts	1.20	2.68
Total	<u>3.49</u>	<u>4.54</u>
SCHEDULE 13		
INCREASE/(DECREASE) IN STOCKS		
Closing Stock:		
Finished Goods	528.85	486.12*
Goods-in-process	229.83	173.95
Waste	5.06	3.27
Waste	<u>5.06</u>	<u>3.27</u>
Less: Opening Stock		
Finished Goods	634.13	1607.07
Goods-in-process	173.95	186.95
Waste	3.27	3.99
Waste	<u>3.27</u>	<u>3.99</u>
Waste	811.35	1798.01
Waste	<u>(47.61)</u>	<u>(1,134.67)</u>
Stock Damaged due to Fire	—	148.01*
Total	<u>(47.61)</u>	<u>(986.66)</u>

* Net of stock of Rs. 148.01 lac damaged due to fire

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

	Year Ended 31.03.2011 (Rupees in lacs)	Year Ended 31.03.2010 (Rupees in lacs)
SCHEDULE 14		
COST OF MATERIALS		
Opening Stock	2,598.13	1,855.73
Add:Purchases	10,153.08	9,320.71
Less:Sales	1,692.22	2,662.86
Less: Stock damaged due to fire	—	44.43
Less:Closing Stock	<u>3,022.02</u>	<u>2,598.13</u>
Raw Materials Consumed	8,036.97	5,871.02
Purchase of Traded Goods	527.29	540.45
Total	<u><u>8,564.26</u></u>	<u><u>6,411.47</u></u>
 SCHEDULE 15		
PERSONNEL EXPENSES		
Salaries, Wages and Bonus	1,288.14	1,054.74
Contribution to Provident and Other Funds	195.37	175.58
Welfare Expenses	232.84	204.86
Managing Director's Remuneration	54.27	48.28
Total	<u><u>1,770.62</u></u>	<u><u>1,483.46</u></u>
 SCHEDULE 16		
MANUFACTURING EXPENSES		
Processing Charges	206.94	58.06
Power and Fuel	1,171.62	1,130.63
Stores, Spares and Packing Materials	221.52	220.17
Repairs and Maintenance:		
Building	1.70	0.94
Plant and Machinery	182.33	135.46
Others	42.07	36.83
Total	<u><u>1,826.18</u></u>	<u><u>1,582.09</u></u>
 SCHEDULE 17		
SALES AND DISTRIBUTION EXPENSES		
Commission and Brokerage	274.51	179.58
Freight, Forwarding and Other Expenses	175.59	155.79
Total	<u><u>450.10</u></u>	<u><u>335.37</u></u>

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

	Year Ended 31.03.2011 (Rupees in lacs)	Year Ended 31.03.2010 (Rupees in lacs)
SCHEDULE 18		
OTHER EXPENSES		
Insurance	42.54	30.49
Rates and Taxes	39.64	19.05
Rent	9.94	11.38
Auditors' Remuneration	2.86	2.29
Directors' Sitting fees	2.68	2.48
Telephone and Fax Charges	12.45	12.61
Postage and Courier Charges	5.55	8.01
Travelling and Conveyance	71.41	51.05
Printing and Stationery	13.77	14.85
Advertisement	2.10	1.11
Motor Vehicle Maintenance	17.75	15.58
Bank and Finance Charges	122.04	103.14
Provision for Doubtful Debts and Advances (Net)	—	1.22
Miscellaneous Expenses	65.22	66.93
Stock damaged due to fire	—	192.44
Foreign Exchange difference - Net	(162.52)	(12.72)
Loss on sale/Discard of fixed assets	118.00	(5.76)
Loss on cancellation of forward cover (Net)	7.18	38.57
Total	<u>370.61</u>	<u>552.72</u>
SCHEDULE 19		
INTEREST		
On Fixed Loans	522.69	516.13
On Others (Net)	224.48	243.65
Total	<u>747.17</u>	<u>759.78</u>
SCHEDULE 20		
MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Voluntary Retirement Scheme amount amortised	—	33.38
Total	<u>—</u>	<u>33.38</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 in the Companies (Accounting Standards) Rules 2007, issued by National Advisory Committee on Accounting Standards and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, on the basis of a going concern and on accrual basis.

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. Fixed Assets are eliminated from Financial statements, either on disposal or when retired from active 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

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.

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 Employees State Insurance Contribution 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 build up the final obligation.

J) FOREIGN CURRENCY TRANSACITONS

Transactions in Foreign Currency are recorded at the rate of exchange in force at the date of transactions.

Foreign Currency assets and liabilities both monetary and non monetary are stated at the rate of exchange prevailing at the year end and resultant gains/losses are recognized in the profit and loss account. Premium / Discount in respect of Forward Foreign Exchange contracts are recognized over the life of the contracts.

K) TAXATION

Income Tax expense comprises Current Tax, Wealth Tax (i.e. amount of tax for the year determined in accordance with the Income Tax Law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year, unabsorbed depreciation or carry forward loss under taxation laws).

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

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

Tax credit is recognized in respect of Minimum Alternative Tax (MAT) as per the provisions of Section 115JB of the Income Tax Act, 1961 based on convincing 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.

NOTES FORMING PART OF ACCOUNTS (Contd.)

b) a possible obligation, unless the probability of outflow of resources is remote.

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): Nil (Previous year Nil).
2. Contingent Liabilities not provided for in respect of disputed demands for taxes, duties and other claims not acknowledged as debts : Nil (Previous year Nil)
3. (i) The amount of foreign exchange difference(net) included in the Net Profit for the year amounts to Rs. 162.52 lacs gain (Previous year Rs. 12.72 lacs gain). This includes gain on account of export Rs. 129.85 lacs (previous year Rs. 40.73 lacs loss) and on account of import Rs. 32.67 lacs (Previous year Rs.53.45 lacs gain) as shown in Schedule 18.
- (ii) Outstanding Forward Contracts (not in the nature of derivatives) as on 31st March 2011 which were entered into for hedging exchange risk arising from foreign currency fluctuations related to highly probable future transactions amount to US\$ 47.22 Lacs (Previous year US\$ 44.24 Lacs) at average Exchange Rate of Rs.47.41/US\$ (Previous year Rs 47.16/US\$) and Euro 1.21 Lacs (Previous year NIL) at an average Exchange rate of Rs.63.39/Euro. The period covered under these contracts spreads over April 2011 to March 2012 (Previous year April, 2010 to March, 2011). The average Exchange Rate applicable for above period based on exchange rate on 31.03.2011 works out to Rs.46.26/US\$ (previous year Rs.45.90/US\$) and Rs.63.91/Euro, resulting a notional profit of Rs.53.44 Lacs (Previous year notional profit of Rs 55.88 Lacs).
- (iii) Particulars of un hedged Foreign Currency exposures as at 31.03.2011 are given below:

Particulars	As at 31.03.2011			As at 31.03.2010		
	Amount in lacs	Exchange Rate Rs.	Amount (Rs. in lacs)	Amount in lacs	Exchange Rate Rs.	Amount (Rs. in lacs)
Accounts Payable	USD 19.75	44.71	883.02	USD 8.44	45.14	380.84
	EUR 0.23	63.16	14.53	EUR 0.11	60.46	6.69
				JPY 2.99	0.48	1.44

4. 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.
5. 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.
6. 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:

		2010-11	2009-10
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

7. Interest on others in Schedule 19 is net of interest income of Rs. 22.09 Lacs (Previous year Rs. 12.14 Lacs), Tax Deducted at Source thereon Rs.2.28 Lacs (Previous year Rs. 2.40 Lacs).

NOTES FORMING PART OF ACCOUNTS (Contd.)

8. In terms of Accounting Standard - 17, the Company operates materially only in one business Segment viz., Textile Industry and have its production facilities and all other assets located within India. Sales to external customers comprise outside India sales of Rs.8491.26 Lacs (Previous year Rs. 5834.10 Lacs) and within India sale of Rs.6384.09 Lacs (Previous year Rs. 6200.78 Lacs).

9. Deferred Tax Liability / (Asset) as at the year end comprise timing differences on account of the following items :

	As at 31.03.2011 (Rs. in Lacs)	As at 31.03.2010 (Rs. in Lacs)
Depreciation	1310.39	1441.38
Unabsorbed Depreciation	(741.27)	(960.13)
Expenses allowable	—	(2.13)
Deferred Tax Liability (Net)	569.12	479.12

10. Earnings per share :

		2010-11	2009-10
		(Rs. in Lacs)	(Rs. in Lacs)
Numerator :			
Net Profit attributable to the Equity Shareholders		380.96	(218.13)
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.	3.27	(1.87)

11. Hire Purchase Assets

Particulars	YEAR ENDED 31.03.2011			YEAR ENDED 31.03.2010		
	Total minimum payments outstanding (Rs. in Lacs)	Future interest on outstanding (Rs. in Lacs)	Present value of minimum payments (Rs. in Lacs)	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	Nil	Nil	Nil	3.17	2.03	1.14
2. Between one year to five years	9.64	1.86	7.78	5.02	1.88	3.14
Total	9.64	1.86	7.78	8.19	3.91	4.28

NOTES FORMING PART OF ACCOUNTS (Contd.)

12. 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 31.03.2011	As at 31.03.2010
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	10,737.20	11,292.45
	Capital Work-in-progress	—	1.92
	Investments:	0.15	0.15
	Current Assets, Loans and Advances :		
	Current Assets	6,516.57	4,067.80
	Loans and advances	1,119.80	988.32
	Liabilities		
	Borrowings	13,734.92	13,342.07
	Current Liabilities	1,356.91	1,640.75
	Provisions	—	—
	Deferred Tax Liability (Net)	836.85	209.49
	Income		
	Sales / Stock adjustments	20,158.90	13,526.53
	Expenditure		
	Cost of Materials	13,277.69	8,828.28
	Personnel Expenses	766.56	641.22
	Manufacturing Expenses	1,712.27	1,609.73
	Sales & Distribution Expenses	593.05	450.38
	Interest Charges	914.22	952.71
	Other Expenses	179.21	402.31
	Depreciation	917.35	924.07
	Provision for Current Tax (MAT)	199.77	—
	MAT Credit Entitlement	(199.77)	—
	Provision for Deferred Tax	627.36	(94.43)
	Contingent Liabilities	67.87	338.88

NOTES FORMING PART OF ACCOUNTS (Contd.)

13. Disclosure in respect of Accounting standard 15 -"Employee benefits".

	Employee benefits	Gratuity (Funded) 2010-11 Rs.	Gratuity (Funded) 2009-10 Rs.
A.	Expenses recognised during the year		
	1. Current Service cost	21,33,905	21,33,905
	2. Interest Cost	52,28,701	48,16,933
	3. Expected return on plan assets	(65,46,133)	(61,17,956)
	4. Net Actuarial (gain)/ loss recognized in the year	66,97,685	21,68,210
	5. Expenses recognised in statement of Profit and loss	75,14,158	30,01,092
B.	Actual return on Plan assets		
	1. Expected return on Plan assets	65,46,133	61,17,956
	2. Actuarial Gain/(Loss) on Plan assets	—	—
	3. Actual return on plan assets	65,46,133	61,17,956
C.	Net Asset/(Liability) recognised in the Balance Sheet		
	1. Present value of obligations as at the end of year	7,50,83,710	6,53,58,759
	2. Fair value of plan assets as at the end of the year	7,86,10,912	7,24,12,649
	3. Funded status	35,27,202	70,53,890
	4. Net asset/(liability) recognized in balance sheet	(35,27,202)	(70,53,890)
D.	Change in Present value of the obligation during the year		
	1. Present value of obligations as at beginning of year	6,53,58,759	6,02,11,661
	2. Interest cost	52,28,701	48,16,933
	3. Current Service Cost	21,33,905	21,33,905
	4. Benefits Paid	(43,35,340)	(39,71,950)
	5. Actuarial (gain)/ loss on obligations	66,97,685	21,68,210
	6. Present value of obligations as at end of year	7,50,83,710	6,53,58,759
E.	Change in assets during the year		
	1. Fair value of plan assets at beginning of year	7,24,12,649	6,74,44,279
	2. Expected return on plan assets	65,46,133	61,17,956
	3. Contributions	39,87,470	28,22,364
	4. Benefits Paid	(43,35,340)	(39,71,950)
	5. Actuarial gain/(loss) on Plan assets	Nil	Nil
	6. Fair value of plan assets at the end of year	7,86,10,912	7,24,12,649
F.	Actuarial Assumptions		
	1. Discount rate	8.00%	8.00%
	2. Salary escalation	3.00%	4.00%
	3. Expected rate of return on plan assets	9.04%	9.07%

NOTES FORMING PART OF ACCOUNTS (Contd.)

14. 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)

Enterprises/Entities having common Key Management Personnel

Yarn Syndicate Limited
Purav Trading Company.

Key Management Personnel

Shri. Binod Kumar Patodia - Chairman & Managing Director

Relatives of Key Management Personnel

Smt. Prabha Patodia, Wife of Shri B.K. Patodia
Smt. Mala Patodia, Daughter In Law of Shri B.K. Patodia
Smt. Swati Patodia, Daughter In Law of Shri. B.K Patodia
Kum. Aanavi Patodia, Grand Daughter of Shri B.K. Patodia
Master. Arnav Patodia, Grand Son of Shri B.K. Patodia
Kum. Annaya Patodia, Grand Daughter of Shri B.K. 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	1498.51 (2367.15)	728.73 (1445.65)	— (—)	47.62 (0.51)
2. Purchase of Goods and Services	569.35 (2258.23)	969.26 (925.67)	— (—)	3.60 (6.86)
3. Interest Paid	— (—)	— (—)	— (—)	0.67 (0.94)
4. Managerial Remuneration	— (—)	— (—)	54.27 (48.28)	— (—)
5. Sitting Fees	— (—)	— (—)	— (—)	— (—)
6. Loans taken (Fixed Deposits)	— (—)	— (—)	— (—)	2.30 (4.80)
7. Loans repaid (Fixed Deposits)	— (—)	— (—)	— (—)	6.70 (4.10)

NOTES FORMING PART OF ACCOUNTS (Contd.)

(C) Outstanding balances as on 31.03.11

(Rs. in Lacs)

	Particulars	Joint Ventures	Associates	Key Management Personnel	Enterprises/ Relatives of Key Management Personnel
1.	Loans received	— (—)	— (—)	— (—)	4.80 (9.20)
2.	Investments	1964.26 (1964.26)	— (—)	— (—)	— (—)

No amounts have been provided for / written off during the year.

(d) Details of Material Transactions with Related Party

- (a) Sale of cotton to Patspin India Limited Rs.1104.61 Lacs (Previous year Rs. 1932.16 Lacs), Sale of yarn to Patspin India Limited Rs.352.69 Lacs (Previous year Rs. 404.82 Lacs), Processing Charges received from Patspin India Limited Rs. 32.64 Lacs (Previous year Rs.28.09 Lacs), Rent received from Patspin India Limited Rs. 1.32 Lacs (Previous year Rs.1.32 Lacs), Sale of store item to Patspin India Limited Rs Nil (Previous year. Rs 0.76 Lacs), Sale of focus market license to Patspin India Limited Rs 7.26 Lacs (Previous year. Nil) Sale of cotton to GTN Enterprises Limited Rs. 279.93 lacs (Previous year Rs. 1101.35 Lacs), Sale of yarn to GTN Enterprises Limited Rs. 387.22 Lacs (Previous year Rs. 329.69 Lacs), Sale of machinery to GTN Enterprises Limited Rs.41.63 Lacs (Previous year Rs. Nil), Sale of store item to GTN Enterprises Limited Rs. Nil (Previous year Rs. 0.78 Lacs), Processing Charges received from GTN Enterprises Limited Rs. 16.74 Lacs (Previous year Rs. 12.63 Lacs), Rent received from GTN Enterprises Limited Rs. 1.20 Lacs (Previous year Rs. 1.20 Lacs), sale of focus market license to GTN Enterprises Limited Rs 2.01 Lacs (Previous year Rs Nil), Sale of yarn to Yarn Syndicate Ltd. Rs. Nil (Previous year Rs 0.51 lacs.) Loans taken from Kum. Anavi Patodia Rs. 2.30 Lacs (Previous year Rs. Nil) and Kum. Annaya Patodia Rs. Nil (Previous year Rs. 4.80 Lacs).
- (b) Purchase of cotton from Patspin India Limited Rs. 102.98 Lacs (Previous year Rs. 1585.21 Lacs) Purchase of yarn from Patspin India Limited Rs. 383.86 Lacs (Previous year Rs. 668.55 Lacs), Processing Charges paid to Patspin India Limited Rs. 80.36 Lacs (Previous year Rs. 4.47 Lacs), Rent paid to Patspin India Limited Rs. 2.15 Lacs (Previous year Rs. Nil), Purchase of cotton from GTN Enterprises Limited Rs. 280.15 Lacs (Previous year Rs. 494.31 Lacs), Purchase of yarn from GTN Enterprises Limited Rs. 579.98 Lacs (Previous year Rs. 311.48 Lacs), Process charges paid to GTN Enterprises Limited Rs. 109.13 Lacs (Previous year Rs.119.88 Lacs), Commission paid to Purav Trading Co. Rs. Nil (Previous year Rs 3.26 Lacs) and rent paid to Mrs.Prabha Patodia Rs. 1.80 Lacs (Previous year Rs. 1.80 Lacs), Mrs.SwatiPatodiaRs.0.90Lacs(PreviousyearRs.0.88Lacs)andMrs.MalaPatodiaRs.0.90Lacs(Previousyear Rs. 0.92 lacs) Interest paid to Kum. Anavi Patodia Rs. 0.14 Lacs (Previous year Rs. 0.32 Lacs), Master Arnv Patodia Rs. 0.17 Lacs (Previous year Rs. 0.17 Lacs) and Kum. Annaya Patodia Rs. 0.36 Lacs (Previous year Rs. 0.45 Lacs) Loans repaid to Kum. Anavi Patodia Rs. 5.20 Lacs (Previous year Rs Nil), Master Arnv Patodia Rs. 1.50 Lacs (Previous year Rs. Nil.) and Kum. Annaya Patodia Rs. Nil (Previous year Rs 4.80 Lacs).

15. 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 31.03.2011	As at 31.03.2010
Spindles – In Nos.	58,864	58,864

(B) Sales, Production and Stocks

Finished Goods	Unit	Opening stock	Production	Sales	Closing stock
Yarn	Lac Kgs.	1.65	38.12	38.28	1.49
	(Lac Kgs.)	(5.02)	(36.16)	(39.53)	(1.65)
	Rs. in Lacs	486.12	—	13664.84	528.85
	(Rs. in Lacs)	(1607.07)	(—)	(10959.42)	(486.12)

Note: Figures in brackets represent figures for previous year.

NOTES FORMING PART OF ACCOUNTS (Contd.)

(C) Sale of Cotton

Quantity Lacs Kgs	Amount Rs. lacs
12.34	1,692.22
(29.43)	(2,662.86)

Note: Figures in brackets represent figures for previous year.

(D) Raw Materials consumed

Particulars	Year ended 31.03.2011			Year ended 31.03.2010		
	(Kgs. in Lacs)	(Rs. in Lacs)	% of total consumption Value	(Kgs. in Lacs)	(Rs. in Lacs)	% of total consumption Value
Cotton Imported	24.98	3245.50	40.38	23.20	2553.76	43.50
Cotton Indigenous	16.15	1900.74	23.65	20.38	1693.56	28.85
Yarn Indigenous*	10.19	2890.73	35.97	6.33	1623.70	27.65
Total	51.32	8036.97	100.00	49.91	5871.02	100.00

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

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

Particulars	Year ended 31.03.2011 (Rs. in Lacs)	Year ended 31.03.2010 (Rs. in Lacs)
Raw Material – Cotton	3,528.13	3,065.70
Stores	31.18	25.41
Capital Goods	—	8.45

(F) Value of Consumption

Stores, Spares, Packing Materials and others

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Rs. in Lacs	%	Rs. in Lacs	%
Imported	2.45	1.07	36.42	16.18
Indigenous *	225.71	98.93	188.68	83.82
Total	228.16	100.00	225.10	100.00

*Includes HSD value of Rs.6.64 Lacs (Previous year Rs.4.93 Lacs), Charged to Power and fuel.

Components (for Repairs & Maintenance (Machinery)

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Rs. in Lacs	%	Rs. in Lacs	%
Imported	—	—	—	—
Indigenous	4.57	100	1.73	100.00
Total	4.57	100	1.73	100.00

(G) Traded Goods (Cotton Yarn)

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Kgs. in Lacs	Rs. in Lacs	Kgs. in Lacs	Rs. in Lacs
Opening Stock	—	—	—	—
Purchases	2.04	527.29	4.23	540.45
Sales	2.04	583.88	4.23	550.47
Closing Stock	—	—	—	—

NOTES FORMING PART OF ACCOUNTS (Contd.)

(H) Expenditure in Foreign Currency (on remittance basis)

Particulars	Year ended 31.03.2011 (Rs. in Lacs)	Year ended 31.03.2010 (Rs. in Lacs)
Agents' Commission	236.97	123.39
Interest	Nil	1.35
Ocean Freight	Nil	Nil
Others	26.27	24.11

(I) Earnings in Foreign Exchange

Particulars	Year ended 31.03.2011 (Rs. in Lacs)	Year ended 31.03.2010 (Rs. in Lacs)
FOB Value of Exports	8397.22	5731.76

16. REMUNERATION TO CHAIRMAN & MANAGING DIRECTOR

a) Details of Chairman & Managing Director's Remuneration

Particulars	Year ended 31.03.2011 (Rs. in Lacs)	Year ended 31.03.2010 (Rs. in Lacs)
Salaries	38.40	34.56
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	12.50	10.61
Perquisites	3.37	3.11
Total	54.27	48.28

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

17. AUDITORS' REMUNERATION:

Particulars	Year ended 31.03.2011 (Rs. in Lacs)	Year ended 31.03.2010 (Rs. in Lacs)
Audit fees	1.38	1.38
Tax Audit fees	0.28	0.27
Taxation /other Services	0.77	0.10
Out of Pocket expenses	0.10	0.21
Sub Total	2.53	1.96
Cost Audit fees	0.33	0.33
Total	2.86	2.29

18. 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 COMPANY'S GENERAL BUSINESS PROFILE

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

I Registration Details

CIN	L18101KL2005PLCO18062	State Code :	09
Balance Sheet Date	31 03 2011		
	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 (Amounts in Rs. Lacs)

Total Liabilities	13899	Total Assets	13899
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Sources of Funds :

Paid up Capital	1164	Reserves & Surplus	2493
Secured Loans	9634	Unsecured Loans	39
Def.Tax liability	569		

Application of Funds :

Net Fixed Assets	6943	Investments	1985
Net Current Assets	4971	Misc. Expenditure	0

IV Performance of Company (Amount in Rs. Lacs)

Turnover (Incl Stock Adjustment and other income)	14849	Total Expenditure	13729
Profit / Loss Before Tax	1120	Profit / Loss After Tax	381
Earning per share in Rs.	3.27	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

For and on behalf of the board

B K PATODIA
Chairman &
Managing Director

B L SINGHAL
Director

Place: Kochi
Date:10th May, 2011

E.K.BALAKRISHNAN
General Manager & Company Secretary



GTN TEXTILES LIMITED

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

Proxy

SIXTH 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 **SIXTH ANNUAL GENERAL MEETING** of the Company to be held at 'Oceanic Hall', Hotel Periyar, Aluva – 683 101 on Friday, 29th July, 2011 at 12.15 p.m or at any adjournment thereof.

Signed this day of, 2011.

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.

SIXTH 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 **SIXTH ANNUAL GENERAL MEETING** of the Company to be held at 'Oceanic Hall', Hotel Periyar, Aluva – 683 101 on Friday, 29th July, 2011 at 12.15 p.m or at any adjournment thereof.

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

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



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

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