



G
GOKAKTM
TEXTILES LIMITED



4th Annual Report 2009-2010



Nano Filtration system
Effluent Treatment Plant

Afforestation
Gokak Falls



Aerial View
Forbes Campbell Knitwear

DIRECTORS	: SHAPOOR P. MISTRY <i>Chairman</i> PALLONJI S. MISTRY H.S.BHASKAR <i>Executive Director & CEO</i> ASHOK BARAT D.G.PRASAD (Nominee of Export Import Bank of India) C. G. SHAH HOSHANG S. BILLIMORIA RAMAOTAR GOYAL PRADIP N. KAPADIA R.N.JHA
CHIEF FINANCIAL OFFICER	: S. RAGHUNATHAN
COMPANY SECRETARY	: K.RAMANANDA PAI
AUDITORS	: Messrs. KALYANIWALLA & MISTRY
BANKERS	: PUNJAB NATIONAL BANK STANDARD CHARTERED BANK STATE BANK OF INDIA EXPORT IMPORT BANK OF INDIA AXIS BANK LIMITED
REGISTRARS AND SHARE TRANSFER AGENTS	: TSR DARASHAW LIMITED UNIT: GOKAK TEXTILES LIMITED, 6-10, HAJI MOOSA PATRAWALA INDUSTRIAL ESTATE, 20, DR.E.MOSES ROAD, MAHALAXMI, MUMBAI 400 011
BRANCH	: TSR DARASHAW LIMITED UNIT : GOKAK TEXTILES LIMITED 503. BARTON CENTRE, 5TH FLOOR 84, MAHATMA GANDHI ROAD BANGALORE – 560 001
MILLS	: GOKAK FALLS-591 308 (District Belgaum-Karnataka)
KNITWEAR UNIT	: BAGALKOT ROAD VILLAGE MARIHAL - 591 167 DIST. BELGAUM KARNATAKA CTS NO. 10588/1 BEHIND RAMDEV HOTEL NEHRU NAGAR BELGAUM - 590 010 KARNATAKA D-190-B-PHASE-VI FOCAL POINT LUDHIANA - 141 010 PUNJAB
REGISTERED OFFICE	: 1st FLOOR, NO. 45/3, GOPALKRISHNA COMPLEX RESIDENCY CROSS ROAD BANGALORE – 560 025
CORPORATE OFFICE	: NO.24, 29TH MAIN BTM LAYOUT II STAGE BANGALORE - 560 076

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Annual General Meeting will be held on Friday, 3rd September, 2010 at 2.00 P.M.
at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001

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NOTICE

NOTICE is hereby given that the 4th ANNUAL GENERAL MEETING of the Members of GOKAK TEXTILES LIMITED, will be held on Friday, the 3rd September, 2010 at 2.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001 to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr.C.G.Shah who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr.H.S.Billimoria who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr.Ramaotar Goyal who retires by rotation and is eligible for re-appointment.
5. To appoint Messrs. Kalyaniwalla & Mistry, Chartered Accountants, as Auditors and to authorise the Board of Directors to fix their remuneration.
6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :
“RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Murugesh & Co., Chartered Accountants, Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company’s Forbes Campbell Knitwear Division situate at Marihal, Belgaum and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company, in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting the audit”.

Special Business :

7. To consider and, if thought fit, to pass with or without modification(s), the following resolutions as a Special Resolution :
“RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto as amended (including any statutory modification(s) and re-enactment thereof, for the time being in force), the approval of the Members of the Company be and is hereby accorded to the re-appointment of Mr.H.S.Bhaskar, Executive Director & Chief Executive Officer of the Company as Whole time Director of the company for a period of 3 years with effect from 31.07.2010 on the remuneration and upon the terms and conditions including minimum remuneration payable to him in case of inadequacy of profits in any year as set out in the draft Agreement to be entered into between the Company and Mr.H.S.Bhaskar placed before this meeting and initialled by the Chairman for the purpose of identification”.
“FURTHER RESOLVED that the Board of Directors (hereinafter referred to as “Board” which term shall be deemed to include Remuneration Committee to exercise its powers including powers conferred by this resolution) of the Company be and is hereby authorised to vary, expand, enhance, enlarge, widen or alter the scope of the remuneration and perquisites, including the monetary value thereof from time to time as it may, in its discretion, deem fit, within the intention being that no further approval of the Members of the Company will be required as long as remuneration of the Whole time Director is not in excess of the maximum permissible under relevant law, rules, regulations, guidelines or instructions as may be promulgated or issued after the date of this meeting”.
“FURTHER RESOLVED that the Board of Directors of the company be and are hereby authorized to take such steps and do all other acts, deeds, things and matters as in its absolute discretion it may consider necessary, expedient or desirable to give effect to this resolution”.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
27th May, 2010.

Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. AN INSTRUMENT OF APPOINTMENT OF PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME SCHEDULED FOR COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted in respect of item no.7 is annexed hereto.
3. Members/Proxies are requested to bring their copy of Annual Report and duly-filled Attendance slips sent herewith to attend the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 25th August, 2010 to 3rd September, 2010 (both days inclusive).
5. Members are requested to promptly notify any change in their address to the Registrars and Share Transfer Agents or the Depository Participants (in case of shares held in dematerialized mode).
6. The shareholders desirous of obtaining any information with regard to audited accounts of the company for the financial year 2009-10 or any other related matters are requested to write to the company well in advance before the date of the annual general meeting, so that, the information required could be kept ready.
7. Nomination of shares : Pursuant to Section 109A of the Companies Act, 1956, individual Shareholders holding Equity Shares of the Company either singly or jointly may nominate an individual to whom all the rights in such Shares shall vest in the event of death of the sole/all joint Shareholders.
8. Please address all communications including lodging of Transfer Deeds to :-

REGISTRARS AND SHARE TRANSFER AGENTS

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

Branch Offices

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none">1. TSR Darashaw Ltd.
503, Barton Centre, 5th floor,
84, Mahatma Gandhi Road,
Bangalore 560 001
Tel.:080-25320321
Fax:080-25580019
e-mail:tsrdljang@tsrdarashaw.com2. TSR Darashaw Ltd.
Tata Cente, 1st floor,
43, Jawaharlal Nehru Road,
Kolkata 700 071
Tel.:033-22883087
Fax:033-22883062
e-mail:tsrdlcal@tsrdarashaw.com | <ol style="list-style-type: none">3. TSR Darashaw Ltd.
Bungalow No.1, "E" Road,
Northern Town, Bistupur,
Jamshedpur 831 001
Tel.:0657-2426616
Fax:0657-2426937
e-mail:tsrdljsr@tsrdarashaw.com4. TSR Darashaw Ltd.
Plot No.2/42, Sant Vihar,
Ansari Road, Daryaganj,
New Delhi 110 002
Tel.:011-23271805
Fax:011-23271802
e-mail:tsrdldel@tsrdarashaw.com |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Agent

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

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

GOKAK TEXTILES LIMITED

1st floor, 45/3 Gopalkrishna Complex,
Residency Cross Road, Bangalore 560 025.
Telephone: 080 25580042, 080 25580043
e-mail. ramanandapai@gokaktextiles.com

Kindly quote your Ledger Folio No./ Client ID No.

ANNEXURE TO THE NOTICE

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

In respect of Item No. 7 :

As the Members aware, Mr.H.S.Bhaskar, Executive Director & Chief Executive Officer was appointed as Whole time Director of the Company for a period of 3 years with effect from 31.07.2007 by the Members at the 1st Annual General Meeting held on 13th August, 2007. The term of office of Whole time Director designated as Executive Director & Chief Executive Officer of the Company expiring on 30.07.2010.

Based on the recommendation of the Remuneration Committee, the Board of Directors of the Company ("the Board") at their Meeting held on 27th May, 2010 has subject to the approval of the Members, re-appointed Mr.H.S.Bhaskar, Executive Director and Chief Executive Officer as Whole time Director of the Company for a further period of 3 years with effect from 31.07.2010 on the remuneration determined by the Remuneration Committee of the Board at their Meeting held on 27th May, 2010 and upon terms and conditions as set out in the draft Agreement to be executed between the Company and Mr.H.S.Bhaskar.

The agreement entered into by the Company with Mr.H.S.Bhaskar in respect of re-appointment as Whole-time Director designated as Executive Director & CEO of the Company inter-alia, contains the following remuneration and terms and conditions :

Broad particulars of terms of re-appointment of and remuneration payable to Mr.H.S.Bhaskar is as under :

Mr.H.S.Bhaskar, Executive Director & Chief Executive Director is hereby re-appointed as Whole time Director for a period of 3 years with effect from 31.07.2010 on the remuneration and upon the terms and conditions and minimum remuneration payable to him.

1. Remuneration:

Remuneration payable to Mr.H.S.Bhaskar is by way of salary, dearness allowance, perquisites, bonus, commission and other monthly allowances or a combination of any or all of the above, which together shall not exceed 5% of the Net Profits calculated under the provisions of Section 349 and 350 of the Companies Act, 1956, however subject to that he shall be entitled to a remuneration of Rs.48,00,000 (Rupees Forty Eight Lakhs Only) per annum in accordance with Section 198, 309 read with Schedule XIII of the Companies Act, 1956, in case of inadequacy or no profits in any year with the liberty to the Board of Directors of the Company to alter, modify and vary the terms of payment of remuneration from time to time and in such manner as may be agreed to by the Board and Mr. H.S. Bhaskar, but so as not to exceed the limits specified in Schedule XIII to the Act or any amendment thereto, re-enactments thereof with effect from such dates as may be decided by the Board.

Further, the above remuneration and perquisites are exclusive of :

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent these are not taxable under the provisions of the Income Tax Act 1961,
- (b) Gratuity payable as per the rules of the company not exceeding half month's salary for each completed year of service and,
- (c) Encashment of leave subject to the company's rules at the end of tenure.

2. General :

- (i) Service Contract is for 3 years with effect from 31.07.2010 subject to retirement policy of the Company
- (ii) The office of the Whole time Director may be terminated by the Company by giving the other 6 (Six) months notice in writing or salary in lieu of notice.
- (iii) Draft Agreement to be entered into between the Company and Mr.H.S.Bhaskar is available for inspection at the registered office of the company during office hours on any working day up to the date of the Annual General Meeting.
- (iv) A brief resume of Mr.H.S.Bhaskar nature of his expertise in specific functional areas etc., are provided as an Annexure to this Notice and in the Report on Corporate Governance. He is not holding directorship and membership / chairmanship of Board Committees in any public limited companies and he is not related to any directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange.
- (v) Mr.H.S.Bhaskar is holding 10 equity shares in the Company in his personal capacity.
- (vi) The above may be treated as an abstract of terms and conditions of re-appointment of Mr.H.S.Bhaskar pursuant to Section 302 of the Companies Act, 1956.
- (vii) Statement containing the information required to be furnished pursuant to paragraph 1 (B) (iv) of Section II in Part II of Schedule XIII to the Companies Act, 1956 is appended to the Notice of this Meeting.

None of the director of the company other than Mr.H.S.Bhaskar is in any way concerned or interested in the aforesaid resolutions.

Your directors commends the resolutions set out at Item No.7 of the Notice for your approval.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
27th May, 2010.

Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

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

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

Name of the Director	Mr.C.G.Shah	Mr.H.S.Billimoria	Mr.Ramaotar Goyal	Mr.H.S.Bhaskar Whole time Director
Date of Birth	14 th February, 1943	7 th July, 1951	23 rd February, 1942	20 th September, 1955
Date of first Appointment	9 th August, 2007	26 th September, 2007	26 th September, 2007	31 st July, 2007
Qualification	B 'COM, F.C.A. D.M.A., F.C.S	B'Com (Hons.) F.C.A (England & Wales), F.C.A (India)	B' Com F.C.A	Diploma in Textile Technology
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company	Not related to any directors of the Company.	Not related to any directors of the Company.
Expertise in specific functional areas	Mr.C.G.Shah has wide and varied experience in Corporate Management, Finance, Accounting and Taxation of over 44 years including reconstruction of Corporates, Amalgamation, Mergers and Demergers	Mr.H.S.Billimoria is the CEO of Next Gen Publishing Ltd., He is the Chairman of Travel Corporation (I) Ltd., and a Director of several public limited companies. He has wide and varied experience in running business and financial management.	Mr.Ramaotar Goyal's expertise includes corporate planning, restructuring, of projects, implementing new projects/plans from grass roots, developing Management Information System and Margin Enhancement Programmes.	Mr.H.S.Bhaskar has wide and varied experience over 33 years in Textile Industry in the operational and managerial cadres. He has led teams of professional managers in India and abroad.
List of Companies in which Directorship held as on 31st March, 2010	<u>PUBLIC LIMITED COMPANIES</u> Nil	<u>PUBLIC LIMITED COMPANIES</u> 1. HDFC Asset Management Co. Ltd., 2. Thomas Cook (I) Ltd., 3. Travel Corporation (I) Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Rimura Finlease & Technology Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Nil
Member of the Board Committees	Nil	1. <u>Audit Committee</u> Thomas Cook (I) Ltd., HDFC Asset Management Co. Ltd., Gokak Textiles Ltd., 2. <u>Share Transfer & Investor Grievance Committee</u> Thomas Cook (I) Ltd., Gokak Textiles Ltd., 3. <u>Remuneration Committee</u> HDFC Asset ManagementCo. Ltd., Gokak Textiles Ltd.	1. <u>Audit Committee</u> Gokak Textiles Ltd 2. <u>Remuneration Committee</u> Gokak Textiles Ltd.,	Nil
No. of shares held	7	Nil	Nil	10

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
27th May, 2010.

Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

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3. Statement containing the information required to be furnished pursuant to paragraph 1 (B) (iv) of Section II in Part II of Schedule XIII to the Companies Act, 1956 as amended by notification dated 16th January, 2002 is given hereunder.

I. General Information:

(1) Nature of Industry	Manufacture of Cotton Yarn and Knitwear			
(2) Date or expected date of commencement of commercial production.	The Company was incorporated on 27th March, 2006 at Bangalore. Consequent upon the Scheme of Arrangement for the demerger of the Textiles Undertaking of Forbes Gokak Ltd (FGL) into GOKAK TEXTILES LIMITED approved by the High Court, Bombay and High Court of Karnataka at Bangalore, the Textile and the Knitwear business of the Textiles Undertaking of FGL was transferred to GOKAK TEXTILES LIMITED with effect from 1st April, 2007.			
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	The Textiles Undertaking of Forbes Gokak Ltd was transferred to GOKAK TEXTILES LIMITED pursuant to the Scheme of Arrangement. The said Textiles Undertaking under Forbes Gokak Ltd is in commercial production since the year 1919.			
(4) Financial Performance based on given indicators.	(Rupees)			
		Year ending 31.03.2008	Year ending 31.03.2009	Year ending 31.03.2010
	Gross Income	3,417,780,353	2,706,313,592	3,134,011,578
	PBT	(34,280,354)	(238,882,870)	(17,90,99,627)
	Net Worth	850,642,850	597,052,807	557,113,693
Dividend %	Nil	Nil	Nil	
(5) Export Performance and net foreign exchange earning.	(Rupees Crores)			
		Year ending 31.03.2008	Year ending 31.03.2009	Year ending 31.03.2010
	Foreign Exchange Earning	134.43	93.18	84.62
	Less: Foreign Exchange Outgo	14.75	20.53	8.73
	Net Position	119.68	72.65	75.89
(6) Foreign Investor or Collaborators, if any.	There is no direct foreign investment in the company.			

II. Information of the remuneration package of Mr. H.S.Bhaskar, Whole-time Director:

(1) Background details	Mr. H.S.Bhaskar, age 54 years, is a Diploma holder in Textile Technology. Prior to his appointment on the Board of Directors of the Company on 31 st July, 2007 he was the Director (Textiles) of Forbes Gokak Limited. He was with Forbes Gokak Limited for over 12 years.								
(2) Past Remuneration.	Remuneration comprises monthly salary, perquisites and annual performance incentive, the details of which are : - <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">Lakh Rs.</td> </tr> <tr> <td>Y.E. 31.03.2008</td> <td style="text-align: right;">25.43</td> </tr> <tr> <td>Y.E. 31.03.2009</td> <td style="text-align: right;">37.70</td> </tr> <tr> <td>Y.E. 31.03.2010</td> <td style="text-align: right;">41.70</td> </tr> </table>		Lakh Rs.	Y.E. 31.03.2008	25.43	Y.E. 31.03.2009	37.70	Y.E. 31.03.2010	41.70
	Lakh Rs.								
Y.E. 31.03.2008	25.43								
Y.E. 31.03.2009	37.70								
Y.E. 31.03.2010	41.70								
(3) Recognition or Awards.	Mr. H.S.Bhaskar is a member, Research Committee, Bombay Textiles Research Association, Member of CII, various textile organizations and is associated with a premier university as an examiner for Master of Business Managers in India and abroad.								
(4) Job profile and his suitability.	He has operational and managerial experience of over 33 years in the Textile industry and has led teams of professional managers in India and abroad.								
(5) Remuneration proposed.	Remuneration proposed includes – (a) A monthly salary in the salary range of Rs.1,10,000 to Rs.4,00,000 (b) Housing, Vehicle, Medical and Leave Travel and other perquisites subject to a ceiling of 125% of the basic salary. (c) Such commission/ incentive as may be approved by the Board of Directors of the Company having regard to the Net Profits of the Company and provisions of Section 198 and all other applicable provisions, if any, of the Companies Act, 1956. (d) Excluding contribution to the Provident Fund, Superannuation Fund and Gratuity Fund, leave encashment as per the Rules of the Company.								
(6) Comparative remuneration profile with respect of industry, size of Company, profile of the position and person (in case of expatriates the relevant details would be with reference to the country of his origin)	The proposed remuneration is in tune with the current remuneration packages of managerial personnel of Companies belonging to the similar industry. Further, it is commensurate with the qualification & experience and in accordance with the highly competitive business scenario requiring recognition and reward of performance & achievement for retention of best talent and motivation towards meeting the objectives of the Company.								
(7) Pecuniary relationship directly or indirectly with the Company or the relationship with the Managerial Personnel, if any.	Only to the extent of his entitlement to the remuneration as a managerial personnel.								

III. Other Information:

(1) Reason of loss or inadequate profits	Due to economic recession and unprecedented decline in demand for exports in the textile industry and high cost of raw materials and power cost resulting in inadequate profits in the financial year 2009-10
(2) Steps taken or proposed to be taken for improvement.	Management is taking necessary and adequate steps to improve the profitability of the Company.
(3) Expected increase in production and profits in measurable terms	A reasonable improvement is expected in the production and profits during the year 2010-2011

Disclosure

“The necessary disclosure required under provision (iv) of Part II, Section II(1)(B) to Schedule XIII to the Act have been reported in the Directors Report under the heading ‘Corporate Governance’ attached to the Annual Report of the Company”

DIRECTORS' REPORT

To,
The Shareholders

Your Directors submit their Report and Audited Accounts of the Company for the year ended 31st March, 2010.

1. FINANCIAL RESULTS:

The summarized financial results are set out below :

	For the year ended 31 st March 2010	For the year ended 31 st March 2009
	(Rs. in Crores)	
(a) Gross Income	313.40	270.63
(b) <i>Less:</i> Costs	293.25	264.44
(c) Balance	20.15	6.19
(d) <i>Less:</i> Interest and Financial Charges (Net)	25.15	17.64
(e) Balance	(5.00)	(11.45)
(f) <i>Less:</i> Depreciation	12.91	12.44
(g) Loss after depreciation carried to Balance Sheet	(17.91)	(23.89)
(h) <i>Less:</i> Provision for taxation	(13.92)	1.47
(i) Net Loss	(3.99)	(25.36)

Your Company has recorded gross income of Rs.313.40 Crores. for the year ended 31st March, 2010 as compared to Rs.270.63 Crores in the year ended 31st March, 2009. The year 2009-10 witnessed a reasonable improvement in the Company's business performance and reduction of loss. For the year ended 31st March, 2010, in compliance with Accounting Standard 22 the deferred tax asset on only post demerger unabsorbed depreciation has been recognized to the extent of deferred tax liability on account of depreciation.

2. SHARE CAPITAL & DIVIDEND :

The Paid up Share Capital of the Company is Rs.6.50 Crores. Considering the results, no dividend for the year is proposed.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

3.1. Industry Structure and Developments

The Indian textile industry is one of the largest and oldest sectors in the country and among the most important in the economy in terms of output, foreign exchange earnings, investment and employment. The sector employs nearly 35 million people and after agriculture, is the second-highest employer in the country. It not only generates jobs in its own industry, but also opens up scopes for the other ancillary sectors. Its importance is underlined by the fact that it accounts for around 4% of Gross Domestic Product, 14% of industrial production, 18% of employment in the industrial sector, and 20% of the country's total exports earnings.

3.2. Opportunities and Threats

India is now a fast emerging market which is good for the textile industry. With the introduction of BT cotton, Indian cotton

production has increased by almost 42% becoming the second largest cotton producer in the world, next to China. The demand for value added products are likely to be increased across the globe. Hitherto the export demand for Indian cotton was limited due to quality issues but with the BT cotton the staple lengths have gone up considerably as a result of which demand for Indian cotton for exports has drastically gone up. In the current cotton season, more than 25% of the cotton is likely to go for exports. Indian cotton which is cheaper when compared to international cotton is likely to catch up with the prices of international cotton as a result of which the raw material cost for the cotton textile industry will also go up making the products in-competitive when compared to other neighbouring countries. It is against this background that the performance for the year should be judged.

Due to very high rural population, Indian Mills were able to get the required labour at reasonable cost. Because of high demand of labour in other sectors, labour availability is also becoming an issue. Due to high food inflation, the cost of labour is going to be costlier. These two factors will greatly affect the performance of the Indian textile industry and will immediately call for higher investments in automation.

3.3. Segment-wise or product –wise performance

During the year under review, the demand for compact yarn steadily increased. The premiums of compact yarn which had almost disappeared during the previous financial year are slowly coming back. The price difference between normal yarn and compact yarn is considerably high.

The surge in demand of high quality products both locally and internationally will continue to play a role in increasing the demand for compact yarn.

Slub Yarn: Demand for the Denim products has greatly improved and presently the segment performance is better than the previous year. As a result of this, demand for slub yarns has gone up steadily and we expect that this demand for slub yarn will continue for the current financial year also. The capacity utilization of the installed slub yarn equipments has greatly improved and efforts are being made to augment of the capacity of the slub yarn to meet the market demand as the price performance of this product is better than the normal spun yarns.

Organic Cotton Yarn: The yarn division is continuously putting efforts to improve the production of organic cotton yarns. For the financial year under review, the organic cotton yarn segment has done very well and company has produced a record production of organic cotton yarn. The demand for this yarn is also expected to increase considerably and the Mills Division has taken all measures to ensure that the increased demand is met from the existing spinning capacity only. Organic yarn products has done well specially in Export markets.

Recycled Yarn: Recycled yarn segment saw a steady growth both in exports and in local markets as a result of which the prices for recycled yarn was better when compared to the previous financial years. Due to demand for recycled yarn in export, the supply to local market was restricted as a result of which unit price also improved.

Special Fibers: Company's efforts to work different fibers will continue and in the current financial year, a reasonable market has been established for yarn from special fibers.

Canvas Fabrics: Even though the turnover of canvas division is maintained, there was a price pressure for the canvas fabrics throughout the year. As a result of this, the margins have almost stagnated. Efforts are made to develop high end fire retardant fabrics and presently these fabrics are under testing with various customers in Europe. Once this product is stabilized, we expect the margins to improve substantially from this Sector.

Dyed Yarn: Due to acute shortage of water, production of dyed yarn in the months of April, May and June of the financial year under review was severely affected and company has to refuse orders on this account. As a result of this, dyed yarn production suffered. The Company has taken adequate measures to ensure that water availability is maintained through-out the year to augment the shortage in summer months.

The business of Campbell has suffered a set back due to recessionary market conditions and our inability to give extended credits to customers.

3.4. Risks and Concerns:

The company has drawn and put in place a comprehensive Risk Management Policy to assess and mitigate various risks.

The Company wide awareness of risk management policies and practices is being inculcated to minimize the adverse effect of risks on the operating results and the subject of management of risks is being approached in a planned and co-ordinated manner.

The acceptability of cotton as premium product can only enhance value perception of the yarn and knitwear we produce. The Company is accelerating this process by moving up the value chain by well researched and designed products.

3.5. Outlook:

Textiles, as a sector in general is presently doing very well and increased cotton cost to a great extent is off set by the increase in yarn prices in the local market. The demand for quality garments in the local market is steadily increasing and this is giving the surge to the overall demand of the textile products within India. We expect this local demand to greatly off set the reduced demand and price pressure from export markets. Due to increase in demand of finer counts of yarn, spindles which were diverted to coarse and medium counts have gone back to finer counts. As a result of this coarse and medium counts demand and price is expected to remain stable. However, it may be noted that due to acute power shortage in major yarn producing States, the production of yarn is also reduced during the summer months and the demand which is visible in the market to some extent is also due to this reason. Due to withdrawal of export benefits on cotton yarn, Indian yarns have become costlier for exports. This will have an impact on the overall export quantities. But with the introduction of 15% export duty by Pakistan on the export of cotton yarns may off-set the demand to price ratio of cotton yarn exports by major yarn producing countries on the export of cotton yarn.

Europe which is presently undergoing a severe economic crisis may also have an adverse effect on exports to Europe. Euro to Rupee conversion rates will make Indian yarns costlier to European markets. But as a result of Euro weakening against most of the currencies, European products may all of a sudden, will be competitive in the world market which may off set the fears of business coming down. Considering this fact and high

volatility in foreign exchanges, company is taking cautious steps to book the orders for a longer period. Organic cotton yarn which did very well during the previous financial year is expected to continue to do well in the current financial year which helps in increasing the unit value price of the company's products.

The company has already launched its own Undergarments Brand viz., 'FACIT' in the market. Undergarments as a sector is going at a very fast pace. As a result of which the company also expects its products to do well in the market in the near future. Some of the capacities of apparel Division have also been dedicated to the Brands Division to improve the utilization factor which ultimately will give competitiveness for the company's products at the market place.

3.6. Internal control systems and their adequacy:

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

The system adopted, especially relating to internal control systems are adequate and commensurate with the nature of its business and size of its operations, though continuous efforts are being made to strengthening the same.

3.7. Discussion on financial performance with respect to operational performance:

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

3.8. Material developments in Human Resources / Industrial Relations front:

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

On the Industrial Relations front, a cordial relationship has been maintained with Unions and there has not been any loss of man-hours in the manufacturing units. Your Company has put in place a series of HRD measures including appraisal of employees, recognition and reward for good work, developing career plans, training etc., In the context of the changing business scenario, professional competence and skills are being nurtured keeping the growth perspective in mind.

3.9. Cautionary Statement:

The statements in this report on 'Management Discussion and Analysis' describing the Company's objectives, estimates,

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

4. DIRECTORS :

Mr.C.G.Shah, Mr.H.S.Billimoria and Mr.Ramaotar Goyal, Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

Mr.H.S.Bhaskar, Executive Director & CEO is eligible for reappointment as Whole time Director of the Company for a period of 3 years with effect from 31.07.2010.

The Board of Directors commends their re-appointment.

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

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

5. CORPORATE GOVERNANCE :

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

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

6. DIRECTORS RESPONSIBILITY STATEMENT :

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

- a. that in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c. that the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the Directors had prepared the annual accounts for the financial year ended 31st March, 2010 on a 'going concern' basis.

7. AUDITORS AND AUDIT REPORT :

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

8. CORPORATE SOCIAL RESPONSIBILITY :

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

9. COST ACCOUNTING RECORDS (COTTON TEXTILES) RULES, 1977 :

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

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

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

11. PARTICULARS OF EMPLOYEES :

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of the Report. Having regard to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered office of the Company.

12. SEBI-SUBSTANTIAL ACQUISITION OF SHARES AND TAKE-OVER REGULATIONS, 1997 :

Persons constituting group coming within the definition of "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969 include the following:-

1. Sterling Investment Corporation Pvt. Ltd.,
2. Abhipreet Trading Co.Pvt.Ltd.
3. Aquamalla Water Solutions Ltd.,
4. Aquadiagnostics Water Research & Technology Centre Ltd.,
5. Afcons (Overseas) Constructions and Investments Pvt.Ltd.
6. Afcons Infrastructure Ltd.,
7. Afcons Arethusa Offshore Services Ltd.,
8. Alaya Properties Pvt. Ltd.,
9. Archaic Properties Pvt. Ltd.,
10. Bengal Shapoorji Business Parks Pvt.Ltd.
11. Bengal Shapoorji Infrastructure Development Pvt.Ltd.
12. Blue Riband Properties Pvt.Ltd.
13. Cama Properties Pvt. Ltd.,
14. Chinsha Property Pvt. Ltd.,

15. Corporate Apparel U.S.A., Inc
16. Cyrus Chemicals Pvt.Ltd.
17. Cyrus Engineers Pvt.Ltd.
18. Cyrus Investments Ltd.
19. Delna Finance & Investments Pvt.Ltd.
20. Delphi Properties Pvt. Ltd.,
21. Devine Realty & Construction Pvt. Ltd.,
22. Doris Properties Pvt.Ltd.
23. Drashti Developers Pvt. Ltd
24. East View Estate Pvt.Ltd.
25. Eureka Forbes Ltd.,
26. Euphoria Properties Pvt. Ltd.
27. Euro Forbes International Pte.Ltd.,
28. E4 Development & Coaching Limited
29. Empower Builders Pvt. Ltd.,
30. Firstrock Infrastructure Pvt.Ltd.
31. Flamboyant Developers Pvt. Ltd.,
32. Flooriase Developers Pvt.Ltd.
33. Floral Finance Pvt.Ltd.
34. Floreat Investments Ltd.
35. Flotilla Finance Pvt.Ltd.
36. Forvol International Services Ltd.
37. Forbes & Company Ltd.
38. Forbes Aquamall Ltd.,
39. Forbes Bumi Armada Ltd.,
40. Forbes Campbell Services Ltd.,
41. Forbes Container Lines Pte. Ltd.,
42. Forbes Edumetry Ltd.,
43. Forbes Environ Solutions Pvt. Ltd
44. Forbes Facility Services Pvt. Ltd.,
45. Forbes Smart Data Limited
46. Forbes Technosys Limited
47. Gallop Developers Pvt. Ltd.,
48. Gossip Properties Pvt. Ltd.
49. Hazarat & Company Pvt. Ltd.,
50. Hermes Commerce Ltd.,
(formerly Afcons Dredging & Marine Services Ltd.,)
51. High Point Properties Pvt. Ltd.,
52. Khajrana Ganesh Properties Pvt. Ltd.
53. Latham India Ltd.,
54. Lucrative Properties Pvt. Ltd.
55. Magpie Finance Pvt. Ltd.,
56. Make home Realty & Construction Pvt. Ltd.,
57. Manjri Developers Pvt.Ltd.
58. Manjri Horse Breeders Farm Pvt.Ltd.
59. Mazsons Builders & Developers Pvt. Ltd.,
60. Meriland Estates Pvt.Ltd.
61. Mileage Properties Pvt.Ltd.
62. Miracletouch Developers Pvt. Ltd.,
63. Mydream Properties Pvt. Ltd.,
64. Next Gen Publishing Ltd.,
65. Neil Properties Pvt.Ltd.
66. Palchin Real Estates Pvt.Ltd.
67. Phenomenon Developers Pvt. Ltd.,
68. Precaution Properties Pvt.Ltd.
69. Radiant Energy Systems Pvt. Ltd.,
70. Range Consultants Pvt. Ltd.,
71. Ramili Investments Pvt. Ltd.,
72. Relationship properties Pvt.Ltd.
73. Renaissance Commerce Pvt. Ltd.,
(formerly Afcons BOT Constructions Pvt. Ltd.,)
74. S.C.Impex Pvt.Ltd.
75. Shachin Real Estate Pvt.Ltd.

76. Shapoorji & Co.Pvt.Ltd.
77. Shapoorji Data Processing Pvt.Ltd.
78. Shapoorji Drilling Enterprises Pvt.Ltd.
79. Shapoorji Pallonji Finance Ltd.,
80. Shapoorji Pallonji Biotech Pvt. Ltd.,
81. Shapoorji Pallonji Hotels Pvt. Ltd.,
82. Shapoorji Pallonji Infrastructure Capital Co.Ltd.
83. Shapoorji Pallonji Infrastructure (Gujarat) Pvt. Ltd.,
84. Shapoorji Pallonji International, Fujairah, UAE
85. Shapoorji Pallonji International, Dafza, UAE
86. Shapoorji Pallonji Cement (Gujarat) Pvt. Ltd.,
87. Shapoorji Pallonji Energy (Gujarat) Pvt. Ltd.,
88. Shapoorji Pallonji (Gwalior) Pvt. Ltd.,
89. Shapoorji Pallonji Industrial Park Pvt. Ltd.,
90. Shapoorji Pallonji Ports Pvt.Ltd.
91. Shapoorji Pallonji Power Co.Ltd.
92. Sharus Building Services Pvt.Ltd.
93. Shatranj Properties Pvt.Ltd.
94. Simar Engery (Gujarat) Pvt. Ltd.,
95. Simar Port Private Limited
96. SP Agri Management Services Pvt.Ltd.
97. SP Aluminium Systems Pvt.Ltd.
98. SP Architectural Coatings Ltd.
99. SP Bioscience Pvt. Ltd.
100. SP Biofuel Ventures Pvt. Ltd.,
101. SP Fabricators Pvt. Ltd.,
102. SP Infocity Developers Pvt. Ltd.,
103. SP Research Laboratories Pvt. Ltd.,
104. SP Simar Infrastructure Zone Pvt. Ltd.,
105. SP International
106. Steppe Developers Pvt. Ltd.,
107. Sterling Generators Pvt.Ltd.
108. Sterling Industries FZ LLC
109. Sterling and Wilson Pvt. Ltd.,
110. Sterling and Wilson International FZE
111. Sterling and Wilson Powergen Pvt. Ltd.,
112. SSS Electricals (India) Pvt. Ltd.,
113. Sunny View Estates Pvt.Ltd.
114. Think Ahead Properties Pvt.Ltd.
115. United Motors (India) Ltd.
116. Volkart Fleming Shipping & Services Ltd.,
117. Waterwings Equipments Pvt. Ltd.,

13. LISTING OF SHARES :

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

14. ACKNOWLEDGEMENT :

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

For and on behalf of the
Board of Directors

Mumbai
27th May, 2010.
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

SHAPOOR P. MISTRY
Chairman

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

(A) Conservation of Energy

Measures taken during the year include the following:

(a) ENERGY CONSERVATION MEASURES TAKEN :

1. Stopping one return Air Fan in No.1 Mill Humidification Plant.
2. Installed star / Delta / Star Converter - 15 Numbers
3. Changing 4 Pole Motor to 2 Pole Motor in No.1 Mill Murata.
4. Installed 15 Nos. CFL Lamps in place of Sodium Vapour Lamp in Mill compound.
5. 2 Nos. 100 KVAR, APFC Panels installed in No.2 Mill G 5/1 machines
6. 2 Nos. cleaning compressor stopped in 3 Mill.
7. 1 Mill Carding Plant motor changed from 11 Kw to 5.5. Kw.

(b) ADDITIONAL INVESTMENT PROPOSALS :

1. Star Delta converter to TFOS
2. Cooling tower modification with automation.
3. CFL Lamps in Mill canteen.
4. Replacement of lower efficiency motor to high efficiency motor.
5. Re-arrangement of lighting circuit to switch Off the lighting.
6. Installation of APFC Panels

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

1. The Company's operations involve low energy consumption. Efforts to conserve and optimize use of energy through operational methods will continue.
2. The Company is expecting to get further saving on air compressor and lighting consumption due to measures taken at (a) 6 and (b) 5.

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

(B) Technology Absorption

Required details are set out in Form 'B'

(C) Foreign Exchange earnings and outgo

(a) Foreign exchange earnings :

1. Exports	84.62
2. Commission	-
Total	84.62

(b) Foreign exchange outgo :

1. Imports calculated on CIF basis – raw material	1.69
2. Imports calculated on CIF basis – stores, spares and tools	2.01
3. Imports calculated on CIF basis – capital goods	3.04
4. Commission to overseas agents	0.73
5. Foreign travel	0.16
6. Royalty	-
7. Interest paid on loans	1.03
8. Others	0.07
Total	8.73

FORM - A
(See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

(A) Power and Fuel Consumption :		Current year ended 31-03-2010	Previous year ended 31-03-2009		
1. Electricity					
(a) Purchased					
Unit	‘000 KWH	54,016.98	47,465.24		
Total Amount	Rs.Lakhs	2,550.06	2,190.05		
Rate/Unit	Rs.	4.72	4.61		
(b) Own Generation					
(i) Through Diesel Generator					
Unit	‘000 KWH	1641.87	1,697.43		
Units/Litre of Diesel Oil	KWH	2.62	5.88		
Cost/Unit	Rs.	12.45	9.98		
(ii) Through Steam turbine/generator		Nil	Nil		
2. Coal (Steam-coal-Used in Boilers)					
(a) Quantity	Tonnes	7,637.84	Nil		
(b) Total Cost	Rs.Lakhs	365.25	Nil		
(c) Average rate/tonne	Rs.	4,782.08	Nil		
3. Diesel (Used in Generator)					
(a) Quantity	‘000 Litre	625.88	Nil		
(b) Total Cost	Rs.Lakhs	204.48	Nil		
(c) Average rate per kilolitre	Rs.	32670.80	Nil		
4. Diesel (Used in Thermic Fluid Heater)					
(a) Quantity	‘000 Litre	14.14	448.35		
(b) Total Cost	Rs.Lakhs	4.59	38.59		
(c) Average rate per kilolitre	Rs.	32440	36057.59		
5. Furnance Oil		Nil	Nil		
6. H.F.O. Power Generation					
Unit	‘000 KWH	2,954.35	1,955.55		
Total Amount	Rs.Lakhs	209.00	134.57		
Rate/Unit	Rs.	7.07	6.88		
7. Others/Internal Generation					
(i) Bagasse/Paddy Husk/Fire Wood					
(a) Quantity	Tonnes	4815.36	15,635.80		
(b) Total Cost	Rs.Lakhs	128.07	339.13		
(c) Average rate/tonne	Rs.	2659.66	2,168.93		
(ii) Gas					
(a) Quantity	1000 M ³	-	-		
(b) Total Cost	Rs.Lakhs	-	-		
(c) Average rate/M ³	Rs.	-	-		
(iii) Water (for Hydro-Generating Sets)					
(a) Quantity/year	Cusec	5,57,462	6,23,471		
(b) Total Cost	Rs.Lakhs	42.82	37.82		
(c) Average rate/Cusec	Rs.	7.68	6.07		
(B) Consumption per Unit of production :					
Product : Yarn/Canvas/Terry Towel / Knitted Garments					
Unit of Production :Kg./Pieces					
1. Electricity	KWH	-	4.84	5.10	#
2. Coal	Kg.	-	0.36	0.13	#
3. Diesel for Thermic Fluid	Ltrs.	-	0.01	0.04	#
4. Furnance Oil	Ltrs.	-	-	0.62	#
5. Bagasee/Paddy Husk/Wood	Kg.	-	1.98	2.03	#
6. Gas	M3	-	-	Nil	#
7. Water	Cusec	-	0.026	0.033	#
#	Due to change in composition of alternative Input, Production Pattern, Product-mix and Lower Capacity utilisation				

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FORM B

(See Rule 2)

Form for disclosure of particulars with respect to Technology Absorption

(A) Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company : This includes -
- Introduction of new fibres like Milk fibres, Cordura, Kermel, Protex, antistatic fibres blends for adding value.
 - Producing Fair Trade cotton yarn 100% and blends in single as well as multifold yarns to suit various home textiles (bath mat and sheeting) to enhance ecological harmony.
 - 100% Organic cotton and blended yarn for both local and export to suit various home textiles (bath mat and sheeting) to enhance ecological harmony.
 - Value added products made out of Organic / Bamboo blends for knits Sportswear
 - Flame Retardant fibre like Kermel, Cordura, Protex blended for defence use both Local and Export
 - Fabrics made with Antistatic fibres blended with FR fibres for export markets in filter end uses.
 - Trevira FR polyester for Seat Covers to be used in Aeroplane.
 - Introduced Blended coloured melange yarns of cotton, viscose and polyester for in-house local and export markets.
2. Benefits derived as a result of the above R&D:
- New products developed by R & D have been commercialised.
 - With the introduction of the new products, we have been able to cater to high-end exclusive market, which has resulted in value added products.
3. Future course of action:
- Dyed canvas for various Industrial uses, like tents.
 - Horse rugs from yarn dyed canvas.
 - Coloured melange of cotton and polyester yarns from Export niche markets.
 - High performance flame retardant for Indian Defence (DEBEL)
4. Expenditure on R & D: (Rs. in Lakhs)
- | | |
|------------------------------------------------------------|--------------|
| a) Capital | 0.00 |
| b) Recurring | 69.67 |
| c) Total | <u>69.67</u> |
| d) Total R & D expenditure as percentage of total turnover | 0.23% |

FORM B
(See Rule 2)

(B) Technology Absorption, Adaptation and Innovation :

1. Efforts in brief, made towards technology absorption, adaptation and innovation.
 - a) Installation of high speed carding machines. (C-60 cards)
 2. Benefits derived as a result of the above.
 - a) These high-speed carding machines (C-60 cards) are imported from M/s Rieter, Switzerland to improve the yarn quality as well as these are energy efficient.
 - b) There is going to be saving in power upto 40%.
 - c) These machines are the best and latest available in the market. These are imported from Rieter, Switzerland. These machines give best quality with very high rate of production.
 3. In case of import of technology (imported during the last 5 years reckoned from the beginning of the financial year) the following information may be furnished.
 - a) Technology imported.
 - b) Year of import.
 - c) Has technology been fully absorbed.
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.
- } Nil

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ANNEXURE 'A'

Annexure forming part of Directors' Report for the year ended 31st March, 2010
Note : Position indicated is as at the end of the year i.e. 31st March, 2010, unless otherwise indicated.

REPORT ON CORPORATE GOVERNANCE

PARTICULARS	COMPLIANCE
1. Brief statement on company's philosophy on code of governance:	The Company's philosophy on the Code of Governance is that the Company should follow contemporary corporate practices as followed by other companies similarly placed and the guiding principle of the Code of Governance of the Company is HARMONY i.e. – (a) Balancing need for transparency with the need to protect the interests of the Company. (b) Balancing the need for empowerment at all levels with the need for accountability and (c) Interaction with all stakeholders including shareholders, employees, lenders and regulatory authorities.
2. Board of Directors :	
a. Composition and Category of Directors i.e. break-up of the Directors into the following :	At the end of the year i.e. 31 st March, 2010 See Annexure AA
i. Promoter Directors.	2
ii. Managing/Executive Directors.	1
iii. Non-Executive Directors.	9 (including 2 included in (i) above)
iv. Independent Non-Executive Directors.	5 (included in (iii) above)
v. Nominee Directors.	1 (included in (iv) above)
vi. Institutional Director in which capacity –Lender or Equity Investor.	Lender (Export Import Bank of India)
	Non-Executive Directors are more than 50% of total directors. The Chairman is non-executive promoter and the number of independent directors are 1/2 of the Board. No Director is related to any other Director on the Board in terms of definition of 'relative' under the Companies Act, 1956, except Mr.Pallonji S.Mistry who is father of Mr.Shapoor P.Mistry.
b. Attendance of each director at the Board of Directors meeting and last Annual General Meeting.	See Annexure AA
c. Mention about other Board of Directors or Board Committee, in which each director is a member or Chairperson.	See Annexure AB
d. Number of Board Meetings held dates on which held.	4 Board Meetings were held on the following dates : – 29.04.2009 31.07.2009 29.10.2009 29.01.2010 The gap between two consecutive Board Meetings was not more than four months.
e. Details of Directors whose re-appointment/ appointment is proposed at the forthcoming Annual General Meeting.	See Annexure AC

	<p>Code of Conduct for Board of Directors and Senior Management :</p> <p>The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. The Code has also been posted on the Company's website www.gokakmills.com All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2010. The Annual Report contains a declaration to this effect signed by the Executive Director & CEO.</p> <p>CEO/CFO Certification</p> <p>As required by the revised Clause 49 of the Listing Agreement, the Certificate from Mr. H.S.Bhaskar, Executive Director & CEO and Mr.S. Raghunathan, Chief Financial Officer was placed before the Board of Directors at their meeting held on 27th May, 2010.</p>		
<p>3. Audit Committee (AC) :</p>			
<p>i. Brief description of terms of reference of Audit Committee.</p>	<p>Terms of reference of the Audit Committee include –</p> <ul style="list-style-type: none"> • Review of the Company's financial reporting process, the financial statements and financial/risk management policies. • Review of the adequacy of the internal control systems and functioning of the Internal Audit team • Discussions with the management and the external auditors, the audit plan for the financial year and a joint post-audit review of the same. 		
<p>ii. Composition, name of members and Chairperson. & iii. attendance during the year / meetings held during his tenure.</p>	<p>Name</p>	<p>No. of AC Meetings held during his tenure</p>	<p>No. of AC Meetings attended by him</p>
	<p>* Mr.D.G. Prasad @ (Chairman)</p>	<p>4</p>	<p>3</p>
	<p>* Mr.Ashok Barat</p>	<p>4</p>	<p>4</p>
	<p>* Mr.H.S.Billimoria @</p>	<p>4</p>	<p>3</p>
	<p>* Mr.Ramaotar Goyal @</p>	<p>4</p>	<p>4</p>
	<p>* Mr. R.N. Jha @</p>	<p>1</p>	<p>1</p>
	<p>* Non-Executive Director @ Non Executive Independent Director All members are financially literate and have Accounting expertise. Mr.K.Ramananda Pai, the Company Secretary, acts as the Secretary of the Committee.</p>		
<p>iv. Number of Audit Committee meetings held- dates on which held</p>	<p>4 Audit Committee meetings were held on the following dates - 29.04.2009 31.07.2009 29.10.2009 29.01.2010 The gap between two consecutive Audit Committee Meetings was not more than four months.</p>		
<p>4. Remuneration Committee :</p>			
<p>i. Brief description of terms of reference</p>	<p>The Remuneration Committee is responsible for determining the compensation payable to the Whole-time Director based on industry practice and performance of the individuals.</p>		
<p>ii. Composition, name of members and Chairperson & iii. attendance during the year / meetings held during his tenure.</p>	<p>Name</p>	<p>No. of Meetings held during his tenure</p>	<p>No. of Meetings attended by him</p>
	<p>Mr.Shapoor P.Mistry (Chairman)</p>	<p>1</p>	<p>1</p>
	<p>Mr.D.G. Prasad</p>	<p>1</p>	<p>1</p>
	<p>Mr.H.S.Billimoria</p>	<p>1</p>	<p>1</p>
	<p>Mr.Ramaotar Goyal</p>	<p>1</p>	<p>1</p>
	<p>Mr.R.N.Jha</p>	<p>1</p>	<p>1</p>

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iv. Remuneration Policy	The Remuneration Committee would determine and recommends to the Board the compensation of the Whole-time Director. The Remuneration Committee would make regular appraisal of their performance. The compensation policy and strategy of the Company is to be competitive, by following bench-marking for determining performance and compensation structure. The Company does not have stock options. The other details are as under :				
v. A. Details of remuneration to Whole-time director as per the format listing out the following :	Mr. H.S. Bhaskar				
	Rs.				
(a) Salary and allowance	23,62,248				
(b) Benefits and perquisites	6,07,752				
(c) Bonus / Commission	12,00,000				
(d) Pension-contribution to PF & Superannuation Fund	3,56,400				
(e) Break-up of fixed components and performance linked incentives with performance criteria	Item (c) is Performance Linked, others are fixed. Performance criteria include level of the profits, reduction of costs, improvement of liquidity, steps taken for growth of business.				
(f) Service Contract	31.7.2010 to 30.7.2013 Subject to retirement policy of the Company.				
(g) Notice Period	Six months				
(h) Severance fees	Nil				
(i) Stock Options details (if any)	Nil				
v. B. Details of remuneration paid to Non Whole-time Directors and number of shares held by them in the Company:	Name	No.of shares	Directors' fees including committee fees Rs.	Commission paid Rs.	Total Rs.
	Mr. Pallonji S. Mistry	Nil	30000	Nil	30000
	Mr. Shapoor P. Mistry	Nil	50000	Nil	50000
	Mr. Ashok Barat	Nil	80000	Nil	80000
	Mr. D. G. Prasad	Nil	* 70000	Nil	* 70000
	Mr. C. G. Shah	7	40000	Nil	40000
	Mr. H. S. Billimoria	Nil	70000	Nil	70000
	Mr. Ramaotar Goyal	Nil	90000	Nil	90000
	Mr. Pradip N. Kapadia	Nil	30000	Nil	30000
	Mr. R.N. Jha	Nil	40000	Nil	40000
	* paid to Export Import Bank of India				
5. Shareholders Committee:					
i. Name of non-executive director heading the committee.	Mr. Shapoor P. Mistry (Chairman)				
ii. Name and designation of Compliance Officer	Mr. K. Ramananda Pai Company Secretary				
iii. Complaints received from the shareholders	There is no unresolved complaints as on 31 st March, 2010.				
6. General Body Meetings:					
i. Location and time where last three Annual General Meetings (AGM) held	1 st AGM held on 13 th August, 2007 at 11.00 a.m. at registered office 1st floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore 560 025.	2 nd AGM held on 30 th August, 2008 at 2.00 p.m. Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560 001	3 rd AGM held on 25 th Sept 2009 at 2.00 p.m. Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560 001		
<u>Note</u> : This is the 4 th AGM of the Company.					

<p>ii. Details of Special Resolutions passed in the previous 3 AGMs</p>	<p>(1) 1st AGM – 13th August, 2007 : :</p> <p>(a) Payment of minimum remuneration from 31st July, 2007 to 30th July, 2010 to Mr. H. S. Bhaskar calculated in the manner provided in Part II of the Schedule XIII of the Companies Act, 1956.</p> <p>(b) Authority pursuant to Section 163 of the Companies Act, 1956, to keep Register and Index of Members and Debentureholders and Annual Return etc. at a place other than the registered office of the Company.</p> <p>(2) 2nd AGM – 30th August, 2008 :</p> <p>(a) Consent to pay Commission to Directors of the Company based on the net profit of the Company.</p> <p>(b) Consent to keep Registers and Index of Members , Annual Returns etc., at the branch office of the Registrar and Share Transfer Agent of the Company</p> <p>(3) 3rd AGM – 25th September, 2009 :</p> <p>(a) Increase in the remuneration payable to Mr.H.S.Bhaskar, Executive Director & CEO w.e.f. 01.04.2008 for the remaining part of the tenure of his appointment i.e. upto 30.07.2010.</p>
<p>iii. Whether special resolutions were put through postal ballot last year, details of voting pattern.</p> <p>iv. Persons who conducted the postal ballot exercise.</p> <p>v. Procedure for postal ballot.</p> <p>vi. Whether any special resolution is proposed to be conducted through postal ballot.</p>	<p>No special resolution was put through postal ballot during the year ended 31.3.2010.</p> <p>Not Applicable</p> <p>Not Applicable</p> <p>No</p>
<p>7. Disclosures:</p> <p>i. Materially significant related party transactions that may have potential conflict with the interests of the Company at large.</p> <p>ii. Details of non-compliance by the company, penalties strictures imposed on the company by the Stock Exchange or SEBI or any authority on any matter related to capital market during the last 3 years.</p> <p>iii. Whistle Blower policy affirmation that no person has been denied access to the Audit Committee.</p> <p>iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.</p>	<p>Materially significant related party transactions are disclosed as a part of the Annual Account as required under the Accounting Standard 18 relating to Related Party Disclosure.</p> <p>The Company has ensured necessary compliance with the requirements of the Stock Exchange, SEBI and other authorities related to capital market and the details of non-compliance and penalties are not applicable.</p> <p>No person has been denied access to the Audit Committee.</p> <p>The Company has complied with all mandatory requirements. The Company will adopt any or all non-mandatory requirements as the Board deems necessary and advisable from time to time.</p>
<p>8. Means of Communications:</p> <p>i. Quarterly results.</p> <p>ii. In which newspapers quarterly results are normally published .</p> <p>iii. Any Website where results or Official news are displayed.</p> <p>&</p> <p>iv.</p>	<p>The quarterly results are published in newspapers.</p> <p>Quarterly and Annual results were published in Business Standard, Samyukta Karnataka (Kannada Daily)</p> <p>Results are made available on the Company’s website www.gokakmills.com and also made available to the Bombay Stock Exchange Ltd., in the prescribed form which would enable them to place it on their website i.e. www.bseindia.com</p>

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<p>v. The presentation made to institutional investors or to the analysts.</p> <p>vi. Whether Management Discussion and Analysis is a part of Annual Report or not.</p>	<p>The Company does not have a practice of making presentation to institutional investors and analysts.</p> <p>Management Discussion and Analysis is a part of Directors Report.</p>		
<p>9. General Shareholders Information:</p> <p>i. AGM – Date, time and venue</p> <p>ii. Financial Year</p> <p>iii. Book Closure Date</p> <p>iv. Dividend Payment date</p> <p>v. Listing on Stock Exchange</p> <p>vi. Stock Code</p> <p>vii. Market Price Data – High/Low during the each month of the Financial Year.</p>	<p>AGM of the Company is scheduled on Friday, the 3rd September 2010 at 2.00 p.m. at Kincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.</p> <p>Financial year of the Company ends on 31st March each year and the last year has ended on 31st March, 2010.</p> <p>The Register of Members and the Share Transfer Books of the Company will remain closed from 25-08-2010 to 03-09-2010.</p> <p>No dividend is proposed for the financial year 2009-10</p> <p>Shares of the Company are listed on Bombay Stock Exchange Ltd.,(BSE) Mumbai.</p> <p>Stock Code of the Company, allotted by Bombay Stock Exchange Ltd., Mumbai is 532957 and ISIN allotted under the dematerialisation procedure is INE642101014.</p> <p>The shares of the Company were listed on the Bombay Stock Exchange Ltd., and the Market price data i.e. high/low during each month of the financial year for the share of face value Rs.10 each are as under:</p>		
	<p>Month and Year</p>	<p>High Rs.</p>	<p>Low Rs.</p>
	<p>April, 2009</p> <p>May, 2009</p> <p>June, 2009</p> <p>July, 2009</p> <p>Aug. 2009</p> <p>Sep.,2009</p> <p>Oct. 2009</p> <p>Nov.2009</p> <p>Dec.2009</p> <p>Jan. 2010</p> <p>Feb. 2010</p> <p>March, 2010</p>	<p>32.25</p> <p>40.75</p> <p>44.25</p> <p>35.10</p> <p>35.75</p> <p>41.75</p> <p>42.00</p> <p>42.90</p> <p>50.00</p> <p>62.15</p> <p>52.20</p> <p>58.70</p>	<p>22.00</p> <p>30.00</p> <p>30.95</p> <p>28.25</p> <p>29.20</p> <p>33.45</p> <p>34.50</p> <p>35.00</p> <p>36.00</p> <p>43.55</p> <p>42.00</p> <p>42.50</p>
<p>viii Registrars and Share Transfer Agents and Share Transfer System</p>	<p>(a) Shares of the Company held in physical form can be transferred by lodging Transfer Deeds and Share Certificates with Registrars and Share Transfer Agents, TSR Darashaw Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400011 or TSR Darashaw Ltd., 503, Barton Centre, 5th Floor, 84 Mahatma Gandhi Road, Bangalore – 560 001. Alternatively, these can be sent to the Company Secretary, Gokak Textiles Ltd., Registered Office, 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore – 560 025.</p> <p>(b) Shares sent for transfer in physical form are registered and returned within a maximum period of 30 days from the date of receipt of documents, provided, all documents are valid and complete in all respects.</p> <p>The Company has constituted Share Transfer and Shareholders’ Grievance Committee of the Board of Directors of the Company.</p> <p>The Shareholders have option of converting their holding in dematerialised form and effecting the transfer in dematerialised mode.</p>		

ix. Distribution of Share-holding (As on 31.3.2010)	- Distribution by category			
	Category	No. of Shareholders	No. of Shares	% to paid up-capital
	Promoters	3	47,80,845	73.56
	Central/State Govt (s)	2	55,171	0.85
	Nationalised Banks	6	9,890	0.15
	Bodies Corporate	179	2,51,727	3.87
	Insurance Companies	1	3,12,045	4.80
	Mutual Funds / UTI	7	211	0.01
	FII's & OBCs	5	1,56,620	2.41
	Public	11,246	9,32,799	14.35
	Total	11,449	64,99,308	100.00
	- Distribution by size of holding			
	Holding	No. of Shareholders	No. of Shares	% to paid up Capital
	1 to 25	5,656	78,733	1.21
26 to 50	3,350	1,22,329	1.88	
51 to 100	1,054	84,999	1.31	
101 to 500	1,138	2,61,058	4.02	
501 to 1000	131	93,236	1.43	
1001 to 5000	97	1,92,279	2.96	
5001 to 10000	6	46,839	0.72	
10001 & above	17	56,19,835	86.47	
Total	11,449	64,99,308	100.00	
ixb. Dematerialisation of shares & liquidity (As on 31.3.2010)	Status of dematerialisation of shares and liquidity as on 31.3.2010			
	Details	No. of shares	% of Share Capital	No. of Accounts
	National Securities Depository Ltd.	59,56,310	91.64	4,971
	Central Depository Services (India) Ltd.	2,16,974	3.34	1,200
	Total dematerialized	61,73,284	94.98	6,171
Physical	3,26,024	5.02	5,278	
Total	64,99,308	100.00	11,449	
x. Outstanding GDR/ADR/ Warrants or any Convertible instruments, Conversion date and likely Impact on equity.	The Company has not issued any of these instruments so far.			
xi. Plant locations	<p><u>Mill :</u></p> <p>1. Gokak Falls (Dist. Belgaum - 591 308)</p> <p><u>Factory:</u></p> <p>1. Bagalkot Road, Marihal Village, Dist. Belgaum - 591 167.</p> <p>2. CTS No. 10588/1, Behind Ramdev Hotel, Nehru Nagar, Belgaum - 590 010</p> <p>3. D-190-B-Phase - VI, Focal Point, Ludhiana – 141010, Punjab</p>			

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xii. Address for Correspondence	<p>Investors are requested to direct all transfer requests, correspondence, queries to Registrars and Share Transfer Agents at the following address :</p> <p>TSR Darashaw Ltd. Unit: Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400 011 Tel. : 91 22 6656 8484 Fax : 91 22 6656 8494 Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday) e-mail: esg-unit@tsrdarashaw.com Website : www.tsrdarashaw.com</p> <p>Investors if they so prefer can send transfer request, correspondence and queries to the Company at the following address.</p> <p>Company Secretary Gokak Textiles Ltd., 1st Floor, 45/3 Gopalkrishna Complex Residency Cross Road, Bangalore - 560 025 Ph. No. 080 - 25580042 / 43 e-mail: ramanandapai@gokaktextiles.com</p>
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For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
27st May, 2010.

Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management for the year ended 31st March, 2010.

For GOKAK TEXTILES LIMITED

H.S.BHASKAR
Executive Director & CEO

Mumbai
27st May, 2010

Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

ANNEXURE 'AA'

Annexure forming part of Directors' Report for the year ended 31st March, 2010.

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

Sl. No.	Directors during the Year	Category	No. of Board Meetings held during the year	No. of Board Meetings attended	Attendance at the last Annual General Meeting
1.	Mr. Pallonji S. Mistry	Non-Executive Promoter	4	3	No
2.	Mr. Shapoor P. Mistry	Non-Executive Promoter	4	4	Yes
3.	Mr. H. S. Bhaskar	Executive	4	4	Yes
4.	Mr. Ashok Barat	Non-Executive Non Independent	4	4	Yes
5.	Mr. D. G. Prasad	Non-Executive Independent (Nominee)	4	3	Yes
6.	Mr. C. G. Shah	Non-Executive Non Independent	4	4	Yes
7.	Mr. H. S. Billimoria	Non-Executive Independent	4	3	Yes
8.	Mr. Ramaotar Goyal	Non-Executive Independent	4	4	Yes
9.	Mr. Pradip N. Kapadia	Non-Executive Independent	4	3	Yes
10.	Mr. R. N. Jha	Non-Executive Independent	4	4	Yes

ANNEXURE 'AB'

Members of the other Boards of Directors or Board Committees in which the Director being a Director as at 31st March, 2010 is Chairman/a Member (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956, and also excluding Committee positions other than Audit Committee and Shareholders' Grievance Committee in accordance with Clause 49 of the Listing Agreement) is as follows :

Sl. No.	Name of the Director	No. of Directorships in other Boards	No. of other Committees (other than Gokak Textiles Ltd.) in which Chairman/Member	
			Chairman	Member
1.	Mr. Pallonji S. Mistry	9	1	Nil
2.	Mr. Shapoor P. Mistry	11	2	Nil
3.	Mr. H. S. Bhaskar	Nil	Nil	Nil
4.	Mr. Ashok Barat	5	Nil	2
5.	Mr. D. G. Prasad	2	1	1
6.	Mr. C. G. Shah	Nil	Nil	Nil
7.	Mr. H. S. Billimoria	3	3	Nil
8.	Mr. Ramaotar Goyal	1	Nil	Nil
9.	Mr. Pradip N. Kapadia	3	2	3
10.	Mr. R. N. Jha	5	1	2

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

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ANNEXURE 'AC'

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

Name of the Director	Mr.C.G.Shah	Mr.H.S.Billimoria	Mr.Ramaotar Goyal	Mr.H.S.Bhaskar Whole time Director
Date of Birth	14 th February, 1943	7 th July, 1951	23 rd February, 1942	20 th September, 1955
Date of first Appointment	9 th August, 2007	26 th September, 2007	26 th September, 2007	31 st July, 2007
Qualification	B 'COM, F.C.A. D.M.A., F.C.S	B'Com (Hons.) F.C.A (England & Wales), F.C.A (India)	B' Com F.C.A	Diploma in Textile Technology
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company	Not related to any directors of the Company.	Not related to any directors of the Company.
Expertise in specific functional areas	Mr.C.G.Shah has wide and varied experience in Corporate Management, Finance, Accounting and Taxation of over 44 years including reconstruction of Corporates, Amalgamation, Mergers and Demergers	Mr.H.S.Billimoria is the CEO of Next Gen Publishing Ltd., He is the Chairman of Travel Corporation (I) Ltd., and a Director of several public limited companies. He has wide and varied experience in running business and financial management.	Mr.Ramaotar Goyal's expertise includes corporate planning, restructuring, of projects, implementing new projects/plans from grass roots, developing Management Information System and Margin Enhancement Programmes.	Mr.H.S.Bhaskar has wide and varied experience over 33 years in Textile Industry in the operational and managerial cadres. He has led teams of professional managers in India and abroad.
List of Companies in which Directorship held as on 31st March, 2010	<u>PUBLIC LIMITED COMPANIES</u> Nil	<u>PUBLIC LIMITED COMPANIES</u> 1. HDFC Asset Management Co. Ltd., 2. Thomas Cook (I) Ltd., 3. Travel Corporation (I) Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Rimura Finlease & Technology Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Nil
Member of the Board Committees	Nil	1. <u>Audit Committee</u> Thomas Cook (I) Ltd., HDFC Asset Management Co. Ltd., Gokak Textiles Ltd., 2. <u>Share Transfer & Investor Grievance Committee</u> Thomas Cook (I) Ltd., Gokak Textiles Ltd., 3. <u>Remuneration Committee</u> HDFC Asset ManagementCo. Ltd., Gokak Textiles Ltd.	1. <u>Audit Committee</u> Gokak Textiles Ltd 2. <u>Remuneration Committee</u> Gokak Textiles Ltd.,	Nil
No. of shares held	7	Nil	Nil	10

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
27th May, 2010.

Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

**CERTIFICATE OF COMPLIANCE CONDITIONS
OF CORPORATE GOVERNANCE**

To
The Members of,
Gokak Textiles Limited,
Bangalore.

We have examined the compliance of conditions of Corporate Governance by GOKAK TEXTILES LIMITED (the Company) for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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

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

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

Mumbai,
27th May 2010

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

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AUDITORS' REPORT TO THE MEMBERS OF
GOKAK TEXTILES LIMITED

1. We have audited the attached Balance Sheet of **GOKAK TEXTILES LIMITED** as at March 31, 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) Order (Amendment) Order 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditor's Report has been forwarded to us and has been appropriately dealt with.
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010,
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date, and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2010, and taken on record by the Board of Directors, we report that, none of the Director is disqualified as on March 31, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Mumbai,
May 27, 2010

Vinayak M Padwal
Partner
Membership No. 49639
Firm Regn No. 104607W

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **Gokak Textiles Limited** for the year ended 31st March, 2010.

- 1) (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) The Company has a program for physical verification of fixed assets at periodic intervals. As informed to us the fixed assets have been verified by the Company during the year and were informed that no material discrepancies were noticed.
- (iii) In our opinion and according to the information and explanations given to us, substantial part of the fixed assets has not been disposed off by the Company during the year.
- 2) (i) The Management has conducted physical verification of inventory at reasonable intervals.
- (ii) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iii) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical inventories and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- 3) The Company has neither granted nor taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence clause iii(b), iii(c), iii(d), iii(f) and iii(g) are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the explanation that many of the items are of a special nature and their prices cannot be compared with alternative quotations, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) During the year under audit, the company has not accepted fixed deposits from the public.
- 7) The Company has an internal audit system, which in our opinion is commensurate with the size of the Company and the nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company in respect of cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribe accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9) (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, Excise Duty or cess outstanding on account of any dispute other than following:

Name of Statute	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Entry Tax	14,458,194	Oct,04 to Mar,07	High court of Karnataka Bangalore
Income tax	300,912	2001-02 & 2002-03	CIT (A)
Excise Duty	105,879,080	July,04 to Feb,06	High court of Karnataka Bangalore
	120,638,186		

- 10) In our opinion and according to the records produced before us the company has been registered for a period of less than five years and hence the clause (x) is not applicable.
- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

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

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Mumbai,
May 27, 2010

Vinayak M Padwal
Partner
Membership No. 49639
Firm Regn No. 104607W

BALANCE SHEET AS AT 31ST MARCH, 2010

Schedule	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
SOURCES OF FUNDS		
1. Shareholder's fund		
(a) Share Capital	1	64,993,080
(b) Reserves & Surplus	2	492,120,613
		<u>557,113,693</u>
2. Deferred Government Grant		-
3. Loan Funds		
(a) Secured	3	1,826,118,115
(b) Unsecured	4	254,306,070
		<u>2,080,424,185</u>
4. Deferred Tax Liability		58,583,515
TOTAL		<u><u>2,696,121,393</u></u>
		<u>2,530,289,914</u>
APPLICATION OF FUNDS		
5. Fixed Assets		
(a) Gross Block		4,004,566,490
(b) Less: Depreciation / impairment		2,348,410,779
(c) Net Block	5	1,656,155,711
(d) Capital work-in-progress		229,965,283
		<u>1,886,120,994</u>
6. Investments	6	51,002
7. Current Assets, Loans and Advances		
(a) Inventories	7	862,379,421
(b) Sundry Debtors	8	260,379,169
(c) Cash and Bank Balances	9	20,955,282
(d) Other Current Assets	10	-
(e) Loans and Advances	11	339,220,694
		<u>1,482,934,566</u>
Less: Current Liabilities and Provisions		1,318,104,056
(a) Liabilities	12	655,599,555
(b) Provisions	13	17,385,614
		<u>672,985,169</u>
Net Current Assets		<u>809,949,397</u>
8. Miscellaneous Expenditure	14	-
TOTAL		<u><u>2,696,121,393</u></u>
		<u>2,530,289,914</u>
Significant Accounting Policies	20	
Notes to Accounts	21	

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached

For and on behalf of

Kalyaniwalla & Mistry

Chartered Accountants

Vinayak M Padwal

Partner

Mumbai, 27th May, 2010

Signatures to Balance Sheet and Schedules 1 to 14, 20 and 21

SHAPOOR P. MISTRY

Chairman

PALLONJI S. MISTRY

Director

H. S. BHASKAR

Executive Director & CEO

ASHOK BARAT

D. G. PRASAD

C. G. SHAH

H. S. BILLIMORIA

RAMAOTAR GOYAL

PRADIP N. KAPADIA

R. N. JHA

Directors

S. RAGHUNATHAN

Chief Financial Officer

K. RAMANANDA PAI

Company Secretary

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

Schedule	For the year ended 31st March, 2010 Rupees	For the year ended 31st March, 2009 Rupees
INCOME		
Sales (Gross)	3,046,698,106	2,622,642,981
Less : Excise duty	728,332	1,994,345
Sales (Net)	3,045,969,774	2,620,648,636
Income from Services	6,760,973	8,375,231
Other Income	81,280,831	77,289,725
	3,134,011,578	2,706,313,592
EXPENDITURE		
Materials consumed and purchase of goods	1,760,206,583	1,617,846,420
Manufacturing and other expenses	1,141,129,365	1,101,317,608
Inventory change	31,133,983	(74,744,299)
Interest and financial charges (net)	251,547,761	176,407,654
Depreciation	129,093,513	124,369,079
(Net off Government Grant Rs 9,400)	3,313,111,205	2,945,196,462
PROFIT / (LOSS) BEFORE TAXATION	(179,099,627)	(238,882,870)
Less: Provision For Taxation		
– Fringe Benefit Tax	–	3,558,300
– Deferred Tax	(139,160,513)	11,148,873
	(139,160,513)	14,707,173
PROFIT / (LOSS) AFTER TAXATION	(39,939,114)	(253,590,043)
Balance Brought Forward	(183,971,959)	69,618,084
Transferred under the Scheme of Demerger	–	–
Balance Carried To Balance Sheet	(223,911,073)	(183,971,959)
Basic & Diluted Earnings per share	(6.15)	(39.02)
Signifiacnt Accounting Policies	20	
Notes to Accounts	21	

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report attached

For and on behalf of

Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Mumbai, 27th May, 2010

Signatures to Profit and Loss Account and Schedules 15 to 21

SHAPOOR P. MISTRY	<i>Chairman</i>
PALLONJI S. MISTRY	<i>Director</i>
H. S. BHASKAR	<i>Executive Director & CEO</i>
ASHOK BARAT	} <i>Directors</i>
D. G. PRASAD	
C. G. SHAH	
H. S. BILLIMORIA	
RAMAOTAR GOYAL	
PRADIP N. KAPADIA	
R. N. JHA	
S. RAGHUNATHAN	<i>Chief Financial Officer</i>
K. RAMANANDA PAI	<i>Company Secretary</i>

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

	For the year ended 31st March, 2010	For the year ended 31st March, 2009
	Rupees	Rupees
A. Cash flow from operating activities:		
Profit / (Loss) Before Tax	(179,099,627)	(238,882,870)
Adjustment for		
Depreciation	129,090,513	124,378,479
Govt Grant	-	(9,400)
Voluntary retirement expenses	-	(20,688,007)
Deferred revenue expenditure written off	13,066,113	7,621,894
Interest and finance expenses	251,547,761	175,653,994
Interest Income	(212,487)	(245,185)
Dividend Income	(650)	(542)
Provision for retirement benefits	2,305,285	(3,215,972)
Foreign exchange (gain)/loss	(7,571,487)	15,935,775
Profit on sale of fixed assets	(165,789)	(3,349,081)
Operating Profit/(Loss) before Working capital changes	<u>208,959,632</u>	<u>57,199,085</u>
Adjustment for		
Inventory	(49,256,074)	101,328,613
Trade and other receivable	(113,082,745)	118,815,592
Trade payables	(73,324,188)	34,322,441
Cash generated / (used) from Operating activity	<u>(26,703,375)</u>	<u>311,665,731</u>
Taxes Paid	(598,762)	(3,335,000)
Net cash used in operating activity	<u>(27,302,137)</u>	<u>308,330,731</u>
B. Cash flow from investing activity		
Purchase of fixed assets	(59,572,122)	(159,459,770)
Payments for Capital WIP	(19,013,414)	(131,345,117)
Proceeds from sale of fixed assets	238,289	3,931,005
Interest Income	212,487	245,185
Dividend received	650	542
Net cash (used) in investing activity after extraordinary items	<u>(78,134,110)</u>	<u>(286,628,155)</u>
C. Cash Flow from financing activities		
Proceeds/(repayment) of borrowings (Net)	352,971,104	164,312,064
Interest paid	(251,086,362)	(179,070,439)
Interest subsidy received	-	-
Net Cash inflow / (outflow) from financing activities	<u>101,884,742</u>	<u>(14,758,375)</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	<u>(3,551,505)</u>	<u>6,944,201</u>
Cash and Cash equivalents (Opening Balance)	24,506,787	17,562,587
Cash and cash equivalent (Closing Balance)	<u>20,955,282</u>	<u>24,506,787</u>

Notes:

1. Cash and cash equivalent
- Cash, cheques on hand and remittances in transit 542,145 540,962
- Balances with Scheduled Banks
- On Current Accounts 19,284,579 22,488,267
- On Deposit Accounts 1,128,558 1,477,558
- 20,955,282** **24,506,787**
2. To finance working capital requirements, the Company's Bankers have sanctioned a total fund-based limit of Rs. 10,750 lac. Of this, limits utilised as on March 31, 2010 is Rs. 6,636 lac.
3. Figures in brackets indicate cash outflow.

As per our Report attached
For and on behalf of
As per our Report attached

Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Signatures to Cash Flow Statement

SHAPOOR P. MISTRY		<i>Chairman</i>
PALLONJI S. MISTRY		<i>Director</i>
H. S. BHASKAR		<i>Executive Director & CEO</i>
ASHOK BARAT	}	<i>Directors</i>
D. G. PRASAD		
C. G. SHAH		
H. S. BILLIMORIA		
RAMAOTAR GOYAL		
PRADIP N. KAPADIA		
R. N. JHA		
S. RAGHUNATHAN		<i>Chief Financial Officer</i>
K. RAMANANDA PAI		<i>Company Secretary</i>

Mumbai, 27th May, 2010

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
SCHEDULE – 1: SHARE CAPITAL		
AUTHORISED:		
70,00,000 Equity shares of Rs.10 each	<u>70,000,000</u>	<u>70,000,000</u>
ISSUED AND SUBSCRIBED:		
64,99,308 Equity Shares of Rs.10 each fully paid-up (64,49,308 shares issued pursuant to the Scheme of Demerger for consideration other than cash) Of the above.	64,993,080	64,993,080
(i) 41,63,176 (previous year 41,63,176) shares are held by Sterling Investment Corporation Private Limited, the Holding Company.		
(ii) 3,07,252 (previous year 307,252) shares are held by Shapoorji Pallonji & Company Limited, the Ultimate Holding Company.		
(iii) 50,000 (previous year 50,000) shares are held by Forbes & Company Limited, Fellow Subsidiary Company.		
(iv) 1,77,218 (previous year 177,218) shares are held by Cyrus Investment Ltd, Fellow Subsidiary Company.		
(v) 83,199 (previous year 82,431) shares are held by Forbes Finance Ltd., Fellow Subsidiary Company.	<u>64,993,080</u>	<u>64,993,080</u>
SCHEDULE – 2: RESERVES AND SURPLUS		
General Reserve		
Opening balance	716,031,686	716,031,686
Add: Transferred Under the Scheme of Demerger	–	–
Less: Transferred to Deferred Tax Liability under the Scheme of Demerger (Refer schedule 21 Note no. 1)–	–	–
	<u>716,031,686</u>	<u>716,031,686</u>
Profit and Loss Account Opening balance	(183,971,959)	69,618,084
Add: Transferred Under the Scheme of Demerger	–	–
Less: Loss as per Profit & Loss Account	(39,939,114)	253,590,043
	<u>(223,911,073)</u>	<u>(183,971,959)</u>
Closing balance	<u>492,120,613</u>	<u>532,059,727</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
SCHEDULE – 3: SECURED LOANS		
FROM BANKS:		
a) Rupee Term Loan from New India Co-operative Bank Limited under Technology Upgradation Fund Scheme (Secured by first pari passu (40%) charge over the fixed assets acquired out of the loan disbursed jointly with IDBI Limited) (Repayable within a year Rs.Nil ;Previous year Rs.13,38,084)	–	1,338,084
b) Rupee Term Loan from New India Co-operative Bank Limited under Technology Upgradation Fund Scheme (Secured by exclusive charge of hypothecation of machinery alongwith accessories / spares acquired / to be acquired under the Scheme) (Repayable within a year Rs.1,20,00,000:Previous year Rs.1,20,00,000)	31,574,800	43,574,800
c) Cash Credit and Packing Credit from Banks against hypothecation of all stocks including Raw Material, Stock-in-Process, Finished Goods, Stores and Book-Debts.		
(i) Cash Credit and Packing Credit	211,606,649	176,923,254
(ii) Demand Loan	452,000,000	362,000,000
	663,606,649	538,923,254
d) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme. (Secured by an exclusive and specific charge against movable fixed assets acquired under the scheme) (Repayable within a year Rs.1,70,000:Previous year Rs.1,70,000)	29,115,000	29,300,000
e) Long Term Working Capital Foreign Currency Loan from Export-Import Bank of India , secured by first charge on all the movable fixed assets (whether installed or not) of the Gokak Mills Division and Campbell Knitwear Division (Repayable within a year Rs.NIL:Previous year Rs.Nil)	60,786,789	68,826,805
f) Rupee Term Loan from IDBI Limited under Technology Upgradation Fund Scheme. (Secured by first pari passu (60%) charge over the fixed assets acquired out of the loan disbursed jointly with New India Co-operative Bank Limited) (Repayable within a year Rs.Nil ;Previous year Rs.20,00,000)	–	2,000,000
g) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme(Secured by first hypothecation charge on specific moveable fixed assets acquired/to be acquired under the scheme and by equitable mortgage charge on land and building of Gokak Mills Division and Campbell Knitwear Division on a pari passu basis with State Bank of India) (Repayable within a year Rs.8,00,000;Previous year Rs.8,00,000)	183,432,435	184,202,435
h) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme (secured by exclusive charge by way of hypothecation of the specific moveable fixed assets acquired/ to be acquired out of the loan and mortgage of immovable fixed assets of Gokak Mills Division and Campbell Knitwear Division.) (Repayable within a year Rs.96,50,000;Previous year Rs.2,00,000)	196,897,063	186,097,063
i) Rupee Term Loan from State Bank of India under Technology Upgradation Fund Scheme (Secured by first Charge on the goods and specific movable assets acquired/ to be acquired under the loan) (Repayable within a year Rs.3,36,00,000 ; Previous year Rs.Nil)	178,622,948	178,622,948

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
j) Term Loan from State Bank of India under Technology Upgradation Fund Scheme (Secured by first hypothecation charge on specific moveable fixed assets acquired/ to be acquired under the scheme and by equitable mortgage charge on Land Building of Gokak Mills Division and Campbell Knitwear Division Located at Gokak Falls and Marihal respectively on a pari passu basis with Exim Bank of India.) (Repayable within a year Rs.3,84,00,000 ; Previous year Rs.Nil)	175,572,362	175,572,362
k) Long Term Working Capital rupee loan from Export-Import Bank of India , (secured by pari passu first charge by way of hypothecation of entire moveable fixed assets of the company excluding assets exclusively charged and by way of pari passu first mortgage of the immovable fixed assets of the Gokak Mills Division and Campbell Knitwear Division .) (Repayable within a year Rs.3,75,00,000 : Previous year Rs.Nil)	150,000,000	150,000,000
l) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme for setting up of mini Hydel Power Plant of 4.5 MW at Gokak Mills Division,Gokak Falls, Belgaum , Karnataka. (Secured by Exclusive charge over the entire movable fixed assets and immovable properties of the Hydel power plant and pari Passu first mortgage of the immovable fixed assets of Gokak Mills Division and Campbell Knitwear Division.) (Repayable within a year Rs. 57,56,250;Previous year Rs.1,43,750)	154,856,250	155,000,000
m) Federal Bank Vehicle Loan (Secured by Vehicle) (Repayable within a year Rs.8,99,808;Previous year Rs.8,50,389)	1,653,819	2,504,208
	<u>1,826,118,115</u>	<u>1,715,961,959</u>

SCHEDULE 4: UNSECURED LOANS

Sales Tax Deferment loan (Amount due within a year Rs. 19,25,360; Previous year Rs.19,25,360)	4,306,070	5,825,120
Inter Corporate Borrowings	-	13,706,000
Short Term Loan (from Standard Chartered Bank)	250,000,000	
	<u>254,306,070</u>	<u>19,531,120</u>

SCHEDULES FORMING PART OF BALANCE SHEET SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE - 5: FIXED ASSETS

Description of Assets	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As on 01.04.2009	Addition	Deduction	As on 31.03.2010	Upto 01.04.2009	During the year	Deductions during the year	Upto 31.03.2010	Balance as on 31.03.2010	Balance as on 31.03.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Intangible Assets										
Computer Software	7,115,405	80,350	-	7,195,755	63,60,316	530,198	-	6,890,514	3,05,241	7,18,083
Tangible Assets										
Leasehold Land	150,000	-	-	150,000	1,50,000	-	-	150,000	-	-
Freehold Land	2,245,450	-	-	2,245,450	-	-	-	-	22,45,450	22,45,450
Factory Building	472,009,060	2,078,792	-	474,087,852	1590,81,092	15,177,667	-	174,258,759	29,98,29,093	31,29,27,968
Residential Building	79,050,892	-	-	79,050,892	148,96,818	1,287,861	-	16,184,679	6,28,66,213	6,41,54,074
Canal Lining	122,884	-	-	122,884	1,16,740	-	-	116,740	6,144	6,144
Plant and Machinery	3,305,625,776	53,166,634	45,606	3,358,746,804	199,05,23,725	107,132,337	31,523	2,097,624,539	126,11,22,265	131,51,02,051
Furniture, Fixtures and										
Office Equipment	59,892,338	4,246,346	15,850	64,122,834	3,69,57,614	2,898,493	2,404	39,853,703	2,42,69,131	2,29,71,730
Vehicles	20,132,608	-	1,288,589	18,844,019	1,25,11,506	2,066,957	1,246,617	13,331,845	55,12,174	76,21,102
TOTAL	3,946,344,413	59,572,122	1,350,045	4,004,566,490	222,05,97,811	129,093,513	1,280,544	2,348,410,779	165,61,55,711	172,57,46,602
Previous year	3,796,102,529	159,459,770	9,217,886	3,946,344,413	210,48,55,295	124,378,479	8,635,962	2,220,597,811	172,57,46,602	-

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
SCHEDULE – 6: INVESTMENTS		
LONG TERM INVESTMENTS : At Cost		
A. TRADE INVESTMENTS:		
Unquoted Equity Shares P.T. Gokak Indonesia (1375 Equity shares of USD 1000 each)	11,306,548	11,306,548
B OTHER INVESTMENTS:		
Unquoted Equity Shares New India Co-operative Bank Ltd (5,000 equity shares of Rs 10 each)	50,002	50,002
	11,356,550	11,356,550
<i>Less:</i> Provision for diminution in the value of investments	(11,305,548)	(11,305,548)
	51,002	51,002
SCHEDULE –7: INVENTORIES		
(At lower of cost and net realisable value)		
[Refer Schedule 20 Note 6]		
(i) Stores and Spares Parts	61,258,642	60,152,682
(ii) Raw Materials (including goods in transit Rs.1,11,07,635 ; Previous year Rs.2,21,20,560)	301,819,827	222,535,730
(iii) Stock-in-Process	132,812,981	98,443,857
(iv) Finished Goods (including goods in transit Rs.97,07,079 ; Previous year Rs.39,73,205)	366,487,971	431,991,078
	862,379,421	813,123,347
SCHEDULE –8: SUNDRY DEBTORS		
(i) Debts Outstanding for a period exceeding six months:		
(a) Secured, Considered Good	–	–
(b) Unsecured, Considered Good	21,271,032	20,051,312
(c) Considered Doubtful	70,686,200	69,728,180
	91,957,232	89,779,492
(ii) Other Debts:		
(a) Unsecured, Considered Good	239,108,137	233,735,493
(b) Considered Doubtful	–	–
	239,108,137	233,735,493
<i>Less:</i> Provision for Doubtful Debts	70,686,200	69,728,180
	260,379,169	253,786,805
SCHEDULE –9: CASH AND BANK BALANCES		
(i) Cash on hand	542,145	540,962
(ii) Balances with Scheduled Banks		
on Current Accounts	19,284,579	22,488,267
on Deposit Accounts	1,128,558	1,477,558
on Margin Accounts	–	–
	20,955,282	24,506,787

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	As at 31st March, 2010 Rupees	As at 31st March, 2009 Rupees
SCHEDULE – 10 : OTHER CURRENT ASSETS		
Interest accrued on deposits	–	19,735
SCHEDULE – 11 : LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received:		
Secured	767,865	2,228,112
Unsecured, Considered Good	239,955,493	119,220,007
Considered Doubtful	197,696	197,696
	<u>240,921,054</u>	<u>121,645,815</u>
<i>Less:</i> Provision for Doubtful Advances	197,696	197,696
	<u>240,723,358</u>	<u>121,448,119</u>
Taxes paid less provision (other than deferred tax)	914,855	316,093
Balances with Central Excise, Customs and Port Trust	97,582,481	104,903,170
	<u>339,220,694</u>	<u>226,667,382</u>
SCHEDULE – 12 : CURRENT LIABILITIES		
Acceptances	208,911,872	248,577,510
Sundry Creditors (Refer note 5 of Schedule 21)	271,690,774	328,948,720
Customers’/Security Deposits, and advances from customers	49,635,506	27,403,226
Other Liabilities	118,137,012	110,856,951
Interest accrued but not due on loans	7,224,391	6,762,992
	<u>655,599,555</u>	<u>722,549,399</u>
(There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.)		
SCHEDULE – 13 : PROVISIONS		
Retirement Benefits	17,385,614	15,080,329
	<u>17,385,614</u>	<u>15,080,329</u>
SCHEDULE – 14 : MISCELLANEOUS EXPENDITURE		
– Voluntary Retirement Compensation	–	13,066,113
[Refer Note 10 of Schedule 20]	–	13,066,113

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	Rupees	For the year ended 31st March, 2010 Rupees	For the year ended 31st March, 2009 Rupees
SCHEDULE – 15 : OTHER INCOME			
Sale of Additional Licences		44,692,124	10,197,135
Duty Drawback on Export		19,045,802	44,960,162
Export Incentives		–	4,556,951
Other Income		17,377,116	14,226,396
Profit on sale of fixed assets (net)		165,789	3,349,081
		<u>81,280,831</u>	<u>77,289,725</u>
SCHEDULE – 16 : MATERIAL CONSUMED AND PURCHASE OF GOODS			
Raw Materials Consumed:			
Opening Stock		222,535,730	383,226,425
Add: Purchases		1,812,076,006	1,422,693,236
Less: Closing Stock		301,819,827	222,535,730
		<u>1,732,791,909</u>	<u>1,583,383,931</u>
Purchases of Trading Stocks		27,414,674	34,462,489
		<u>1,760,206,583</u>	<u>1,617,846,420</u>
SCHEDULE – 17 : MANUFACTURING AND OTHER EXPENSES			
Stores and Spares Consumed		95,890,301	90,933,044
Processing Charges		11,013,749	18,103,743
Power and Fuel		353,388,988	296,117,447
Payments To And Provisions For Employees:			
Salaries, Wages, Bonus and Commission	313,275,887		297,745,296
Contribution to Provident Fund and Other Funds	40,572,511		36,142,026
Staff Welfare Expenses	37,324,221		36,057,797
Voluntary Retirement Compensation Amortised	13,066,113		7,621,894
		<u>404,238,732</u>	<u>377,567,013</u>
Commission to Dealers		31,881,996	26,829,792
Brokerage and Discount		15,457,798	9,079,511
Freight and Forwarding charges		70,316,255	93,221,464
Repairs to:			
– Plant and Machinery	33,036,246		25,277,781
– Buildings	3,534,559		3,763,757
– Others	32,406,592		31,595,210
		<u>68,977,397</u>	<u>60,636,748</u>
Rent		12,375,165	13,089,447
Rates and taxes		6,873,840	6,897,287
Insurance		3,925,021	5,527,857
Stamps, Telegrams, Stationery, Printing and Telephones		8,557,556	10,075,464
Legal and Professional Charges		11,950,701	12,903,345
(Refer Note 24 of schedule 21)			
Bad Debts/Advances written off			
Provision for Doubtful Debts		958,020	4,630,457
Excise duty		–	1,754,369
Miscellaneous Charges		45,323,846	73,950,621
		<u>1,141,129,365</u>	<u>1,101,317,608</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

	Rupees	For the year ended 31st March, 2010 Rupees	For the year ended 31st March, 2009 Rupees
SCHEDULE – 18: INVENTORY CHANGE			
Opening Stocks			
Stock-in-Process	98,443,857		93,886,612
Finished Goods	<u>431,991,078</u>		<u>363,784,967</u>
		530,434,935	457,671,579
<i>Less: Closing Stocks</i>			
Stock-in-Process	132,812,981		98,443,857
Finished Goods	<u>366,487,971</u>		<u>431,991,078</u>
		499,300,952	530,434,935
			(72,763,356)
Decrease/Increase in Excise Duty		<u>–</u>	(1,980,943)
(Increase)/Decrease in Inventory		<u>31,133,983</u>	<u>(74,744,299)</u>
SCHEDULE – 19: INTEREST AND FINANCIAL CHARGES (NET)			
Interest on fixed loans (Gross)		81,385,625	58,039,986
Other interest		125,571,248	105,846,409
Bank Charges /Finance Expenses		45,737,071	13,807,771
		<u>252,693,944</u>	<u>177,694,166</u>
<i>Less: Interest received from customers</i>		1,146,183	1,286,512
		<u>251,547,761</u>	<u>176,407,654</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE – 20: SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The Financial Statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable accounting standards issued by The Institute of Chartered Accountants of India.

2. Use of Estimates:

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

3. Fixed Assets and Depreciation / Amortisation:

Fixed Assets are stated at cost or as revalued as the case may be, less accumulated depreciation. Cost includes expenses related to acquisition and installation of the concerned assets. Exchange differences arising on account of repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets from a country outside India is charged to profit and loss account.

Cost of leasehold land and building thereon are amortised over the period of the lease.

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

4. Borrowing Cost:

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

5. Investments:

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

Current investments are stated at lower of cost and fair value.

6. Inventories:

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

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

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

7. Revenue Recognition:

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

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

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

Interest income is recognised on a time proportion basis.

8. Foreign Currency Transactions:

- a. Foreign currency transactions are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled are translated at the year-end rate and difference in translation and realised gains and losses on foreign exchange transactions are recognised in the profit and loss account.
- b. Gains or losses arising in respect of forward foreign exchange contracts or on cancellation thereof are recognised as income or expense

9. Research and development expenses:

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

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

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

10. Employee Benefits:

Short-term Employee benefits:

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

Post Employment Benefits:

Defined Contribution Plans:

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

Defined Benefit Plans:

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

Other long-term benefits

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

Termination benefit:

Compensation paid under voluntary retirement scheme is amortised over the period of 19 months i.e. upto March 31, 2010 in accordance with the provisions of Accounting Standard 15 (Revised).

11. Government Grants:

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

12. Impairment:

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

13. Provisions, Contingent Liabilities, Contingent Assets:

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

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE – 21: NOTES TO ACCOUNTS :

1. The Company was incorporated under the Companies Act, 1956 under the name of ANS Textiles (Bangalore) Limited on March 27, 2006. The name was changed to Gokak Textiles Limited, with effect from 23rd January 2007. Under the scheme of arrangement under the Companies Act, 1956 the Textile Division of Forbes Gokak Limited (known as Forbes & Company Limited) was transferred to Gokak Textiles Limited with effect from April 1, 2007

2. Contingent Liabilities not provided for:

Sr. No.	Particulars	Current Year	Previous Year
(A)	Bills discounted	124,123,870	79,328,218
(B)	Guarantees issued by bank Corporate Guarantee to Export Import Bank of India (on behalf of P.T.Gokak Indonesia) \$ 31,00,000	905,100 141,329,000	212,500 160,022,000
	Corporate Guarantee to Other	129,472	129,472
(C)	Taxes in dispute :- Entry Tax/Special Entry tax	14,458,194	14,458,194
	Sales Tax	-	-
	Income tax matters	300,912	300,912
	Excise Demands	105,879,080	132,543,100
(D)	Labour Matters in Dispute	1,254,070	35,237,969
(E)	Bonds given by Company in favour of Customs Authorities	478,320,561	502,570,561
(F)	Other Demands Contested by the Company		
	Creditors Claim	71,471	71,471
	Electricity Duty	1,037,149	1,037,149

3. Estimated amount of contracts remaining to be executed on capital account and not provided Rs.1,33,47,453 (net of Advances Rs.9,19,51,921); [Previous Year Rs. 11,13,48,124 (net of advances Rs. 8,18,65,807)]

4. Due to Micro, Small and Medium enterprise:

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

5. The Company incurred the following expenditure on research and development, which has been certified by the Management.

- a. On Fixed Assets Rs. Nil (Previous Year Rs Nil)
b. On items which have been expensed out during the year Rs. 69,66,804 (Previous Year Rs. 70,74,937)

6. The amount of exchange differences:

Included in the Profit and Loss Account is a Net Income of Rs. 47,85,230 (Previous year Net Expense of Rs.2,17,25,271).

7. Earnings in foreign exchange for

	Current Year Rs.	Previous Year Rs.
Export of goods calculated on F.O.B. basis	83,25,21,540	90,07,12,004
Freight and insurance recoveries	1,36,89,348	3,10,92,419
	<u>84,62,10,888</u>	<u>93,18,04,423</u>

The above excludes exports to Nepal Rs. 1,00,19,554 (Previous Year Rs. 1,17,88,643), the proceeds in respect of which are recovered in Indian Rupees.

8. During the year no amounts has been remitted in foreign currencies on account of dividends during the year.

9. Value of Imports calculated on C.I.F. basis (Excluding value of items locally purchased):

	Current Year Rs.	Previous Year Rs.
(a) Raw Materials	16,872,547	98,166,036
(b) Stores, Spares and Tools	20,116,594	17,354,440
(c) Capital Goods	30,381,767	50,640,366
	<u>67,370,908</u>	<u>166,160,842</u>

10. Expenditure in foreign currency:

	Current Year Rs.	Previous Year Rs.
(a) Commission to Overseas Agents	7,251,410	13,201,146
(b) Interest	10,307,018	17,431,820
(c) Others	2,381,004	8,554,116
	<u>19,939,432</u>	<u>39,187,083</u>

11. Raw Materials consumed:

	Current Year			Previous Year		
	Quantity M.T.	Value Rupees	% to Total Consumption	Quantity M.T.	Value Rupees	% to Total Consumption
(A) Cotton						
(i) Locally Purchased						
Cotton & waste	22,056	1,489,543,782	93.72%	17,595	1,158,859,476	83.96%
Staple Fibre	644	61,878,414	3.89%	2,306	190,407,532	13.79%
Yarn		13,591,892	0.86%		7,182,948	0.52%
Fabric		900,751	0.06%		926,250	0.07%
Accessories #		23,525,164	1.48%		22,924,805	1.66%
	22,700	1,589,440,003	100.00%	19,901	1,380,301,011	100.00%
(ii) Direct Imports at landed cost						
Cotton	178	23,459,684	63.79%	256	26,919,010	53.40%
Staple Fibre	30	6,747,633	18.35%	85	15,206,915	30.17%
Fabric		-	0.00%		-	0.00%
Accessories #		6,569,165	17.86%		8,282,855	16.43%
	208	36,776,482	100.00%	341	50,408,780	100.00%
Total (A)	22,908	1,626,216,485		20,242	1,430,709,791	
(B) Dyes & Chemical						
(i) Local		107,603,466	100.00%		152,674,140	100.00%
(ii) Imported		-	0.00%		-	0.00%
Total (B)		107,603,466	100.00%		152,674,140	100.00%
Total (A+B)		1,733,819,951			1,583,383,931	

Comprise dissimilar items which cannot be aggregated

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12. Stores and Spare Parts consumed:

Particular	Current Year		Previous Year	
	Value	% to Total	Value	% to Total
	Rupees	Consumption	Rupees	Consumption
(i) Direct imports at landed cost	23,019,105	24.01%	19,064,363	20.97%
(ii) Others	72,871,196	75.99%	71,868,681	79.03%
	95,890,301	100.00%	90,933,044	100.00%

13. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:
Amounts receivable in foreign currency on account of the following:

	Current Year		Previous Year	
	INR Amount	Foreign Currency	INR Amount	Foreign Currency
Export of goods	25,809,383	USD 580,900	21,011,091	USD 416,226
	–	GBP –	2,668,002	GBP 37,283
	3,351,604	Euro 56,577	5,293,716	Euro 79,497
Amount payable in Foreign Currency				
Foreign Currency Loan	60,786,789	USD 1,333,336	75,907,903	USD 1,470,517
	–	Euro –	21,615,049	Euro 314,172

14. There are no outstanding Forward Exchange Contracts entered into by the Company as on March 31st, 2010. The Company has not entered into Interest Rate Swaps and Currency Swaps as at the year end March 31, 2010.

15. Licensed, Installed and Utilised Capacity

Sr. No.	Product Unit	Licensed Capacity	Installed Capacity	Actual Production			UOM
				Capacity	Current Year	Previous Year	
1.	Yarn	SPINDLE	145,310	121,188	19,003	13,181	M.T.
2.	Blended Yarn	SPINDLE			554	3,681	M.T.
3.	Cotton Canvas	LOOMS	60	24	2,522,738	2,810,300	MTRS.
4.	Terry Towel	LOOMS		4	79,232	90,522	PCS.
5.	Knitted Garments	PCS.	6,000,000	4,256,000	2,473,020	2,010,634	

NOTES:

1. Installed capacity has been certified by the Management.
2. Actual production of yarn excludes internal consumption of 671.50 M.T. (Previous Year 970.40 M.T.)

16. Purchase of goods :

Sr. No.	Product	UOM	Current Year		Previous Year	
			Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
1.	Trading Sales of Yarn/Fabric	M.T.	78	11,381,051	20	2,633,148
2.	Trading (Cotton)	M.T.	119	14,848,013	291	31,443,019
3.	Textile Goods		–	1,185,610	–	386,322
	Total			27,414,674		34,462,489

17. Turnover (net)

Sr. No.	Product	UOM	Current Year		Previous Year	
			Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
1.	Yarn	M.T.	18,329	2,356,970,574	13,046	1,643,642,483
2.	Blended Yarn	M.T.	1,287	167,423,652	2,923	346,938,733
3.	Cotton Canvas	MTRS.	2,280,983	217,545,814	2,515,890	226,343,583
4.	Fabric	MTRS.	175,303	16,573,143	220,070	20,830,743
5.	Terry Towel	PCS.	54,790	2,990,090	108,057	6,589,219
6.	Trading Sales Of Yarn/Fabric	M.T.	78	11,542,772	20	2,897,947
7.	Trading (Cotton)	M.T.	119	14,087,870	290	33,168,937
8.	Textile Goods	#	-	7,525,600	-	9,122,167
9.	Other Sales	-	-	5,487,454	-	8,145,761
10.	Knitted Garments	PCS.	1,768,475	243,654,209	1,967,229	320,840,232
11.	Knitted Fabrics	KGS	25,541	2,168,596	26,019	2,128,831
	Total			3,045,969,774		2,620,648,636

18. Inventory Finished Goods

Sr No	Product	UOM	Current Year		Previous Year	
			Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
1.	Yarn	M.T.	1,497	138,395,744	1,532	179,067,717
2.	Blended Yarn	M.T.	404	54,098,674	1,140	126,941,309
3.	Cotton Canvas and Duck	MTRS.	570,284	50,092,670	541,010	49,699,292
4.	Fabric	MTRS.	172,408	22,869,901	152,782	18,093,058
5.	Terry Towel	PCS.	297,014	11,673,408	280,206	7,428,462
6.	Textile Goods	#		183,412		111,346
7.	Garments	PCS.	1,156,661	89,174,162	465,052	50,649,894
	Total			366,487,971		431,991,078

Comprise dissimilar items, which cannot be aggregated.

19. Segment:

The Company operates one segment only, namely Textiles. Sales in different geographical segments are subject to some risk and reward relationship. Accordingly, in the opinion of management the information relating to Segmental Reporting as required by Accounting Standard 17 is not applicable.

20. Related Party Disclosures:

- a. Name of Related Party and description of related party
 - i. Holding Company / Ultimate Holding Company
Shapoorji Pallonji & Company Limited (Ultimate Holding Company)
Sterling Investment Corporation Private Limited (Holding Company)
 - ii. Fellow Subsidiaries
Forbes & Company Limited
Forbes Doris & Naess Maritime Limited
Forbes Technosys Limited
Volkart Fleming Shipping & Services Limited
Eureka Forbes Ltd.
Forval International Services Ltd
 - iii. Key Management Personal
Mr. H. S. Bhaskar – Whole Time Director.

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b. Transaction with related party (Amount in Rs.)

Sr. No.	Name	Nature of Transactions				Balance Outstanding		
		Sales of goods	Expenses	Interest paid	Interest received	Remuneration paid	Receivable	Payable
1.	Forbes & Company Limited	– (36,608)	3,379,027 (5,682,372)	– –	– –	– –	– –	776,938 (2,347,503)
2.	Volkart Fleming Shipping & Services Ltd.	– –	– (154,933)	612,266 (1,408,648)	– –	– –	– –	1,000,000 (15,892,049)
3.	Eureka Forbes Ltd.	9,490 –	– (37,900)	– –	– –	– –	– (16,917)	42,350
4.	Shapoorji Pallonji & Co. Ltd.	1,255,007 (2,121,134)	– –	– –	– –	– –	1,435,422 (436,915)	– –
5.	Forbes Technosys Ltd.	– –	– –	– –	– –	– –	89,761 (89,761)	– –
6.	Forvol International Services Ltd	– –	1,758,324 (3,309,682)	– –	– –	– –	– –	84,064 –
7.	Key management personnel	– –	– –	– –	22,410 (50,709)	4,768,463 (4,126,400)	– –	– –
	Total	1,264,497 (2,157,742)	5,137,351 (9,184,887)	612,266 (1,408,648)	22,410 (50,709)	4,768,463 (4,126,400)	1,525,183 (543,593)	1,903,352 (18,239,552)

No amounts have been written off during the year.

Note: Figures in bracket indicate previous year amounts.

21. Earning Per Share:

	Current Year	Previous Year
a		
Calculation of weighted average number of equity shares	Rs.	Rs.
Number of shares at the beginning of the year	6,499,308	6,499,308
Number of equity shares outstanding at the end of the year	6,499,308	6,499,308
Weighted average number of equity shares outstanding during the year	6,499,308	6,499,308
b		
Loss after tax available for equity shareholders	(39,939,114)	(253,590,043)
c		
Basic and diluted earnings per share of Rs 10 each	(6.15)	(39.02)

22. Deferred Tax:

Major components of deferred tax arising on account of timing differences as at the year end are as follows:

	Current Year	Previous Year
	Rs.	Rs.
Deferred Tax Assets		
Provision for Retirement Benefits	1,201,511	1,654,623
Provision for Doubtful debts	23,481,956	23,700,608
Provision for Leave Encashment	4,573,990	3,471,181
	29,257,457	28,826,412
Deferred Tax Liability		
Depreciation	87,840,973	226,570,441
Net Deferred Tax Liability	58,583,516	197,744,029

For the year ended March 31st, 2010 in compliance with the Accounting Standard 22 the Deferred Tax Asset on only post demerger unabsorbed depreciation has been recognised to the extent of Deferred Tax Liability on account of depreciation.

23. Directors' Remuneration:

	Current Year Rs.	Previous Year Rs.
Salary and Allowance	2,362,248	2,521,423
Benefits and perquisites	607,752	448,577
Bonus / Commission	1,200,000	800,000
Pension contribution to PF & Superannuation Fund	356,400	356,400
Total	45,26,400	4,126,400

Note: Directors' remuneration excludes contribution to Gratuity Fund and Provision for Leave Encashment provided on actuarial basis as separate figures are not available.

24. Auditors Remuneration: included in Legal and professional charges (excluding service tax):

	Current Year Rs.	Previous Year Rs.
Audit Fees (Including branch audit fees current year Rs. 2,59,000 previous year Rs. 1,35,000)	1,159,000	1,035,000
Taxation matters	120,000	120,000
Certification	600,000	600,000
Reimbursement of Expenses (including branch auditor current year Rs. 29587 previous year Rs. 53077)	115,672	53,077
	1,994,672	1,808,077

25. Employee Benefits:

a. Change in present value of obligation:

	Current Year Rs.	Previous Year Rs.
Opening balance as at 1st April, 2009	122,313,347	121,528,816
Benefits earned during the year	9,610,935	-
Current Service Cost	9,172,384	8,985,261
Interest Expenses	443,039	9,520,308
Paid Benefits	(11,622,124)	(30,232,813)
Actuarial (gain) / loss on obligations	(10,781,995)	22,043,838
Closing balance as at 31st March, 2010	119,135,586	131,845,410

b. Change in plan assets

Opening balance as at 1st April, 2009	117,445,742	109,982,803
Expected return on scheme assets	9,194,245	8,184,178
Contributions by the company	3,586,774	7,669,540
Paid Funds	(11,622,124)	(30,232,813)
Actuarial gain / (Loss)	(4,220,197)	2,492,063
Fair value of Plan assets as at end of year	114,384,440	98,095,771

c. The amounts recognized in Balance Sheet are as follows:

Present Value of Commitments	4,751,146	131,845,410
Fair Value of Plans	-	-
Net Liability Recognised in Balance Sheet	4,751,146	131,845,410

Annual Report
2009 - 2010

	Current Year Rs.	Previous Year Rs.
d. The amounts recognized in Profit and Loss Account are as follows:		
Current Service Cost	9,172,384	8,985,261
Interest expense	10,053,974	9,520,308
Expected return on Plan Assets	(9,194,245)	(8,184,178)
Net Acturial (gain)/Loss	(6,561,798)	19,551,775
Net periodic cost	3,470,315	29,873,166
e. Return on plan assets		
Expected return on plan assets	9,194,245	8,184,178
Acturial gain / (Loss)	(4,220,197)	2,492,063
Actual return on plan assets	4,974,048	10,676,241
f. Actuarial Assumption		
i) Discount Rate	8.00%	8.00%
ii) Expected Rate of return on assets	8.00%	8.00%
iii) Salary Escalation rate	4.00%	4.00%
iv) Attretion rate	2.00%	2.00%
v) Mortality	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate

26. Previous years' figures have been regrouped and rearranged wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No:		State Code.
<input type="text" value="L17116KA2006PLC038839"/>		<input type="text" value="08"/>
Balance Sheet Date	<input type="text" value="31"/> <input type="text" value="03"/> <input type="text" value="2010"/>	
	Date Month Year	

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

Public Issue	<input type="text" value="Nil"/>	Rights Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placement	<input type="text" value="Nil"/>

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

Total Liabilities	<input type="text" value="2,696,121"/>	Total Assets	<input type="text" value="2,696,121"/>
Sources of Funds		Application of Funds	
Paid up Capital	<input type="text" value="64,993"/>	Net Fixed Assets	<input type="text" value="1,886,121"/>
Reserves and Surplus	<input type="text" value="492,120"/>	Investments	<input type="text" value="51"/>
Secured Loan	<input type="text" value="1,826,118"/>	Current Assets	<input type="text" value="809,949"/>
Unsecured Loan	<input type="text" value="254,306"/>	Miscellaneous	
		Expenditure	<input type="text" value="Nil"/>
Deferred Government Grant	<input type="text" value="-"/>		
Deferred Tax Liability (Net)	<input type="text" value="58,583"/>		

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

Turnover	<input type="text" value="3,134,012"/>
Total Expenditure	<input type="text" value="3,313,111"/>
Profit / Loss before tax	<input type="text" value="(179,099)"/>
Profit / Loss after tax	<input type="text" value="(39,939)"/>
Earning per share in Rs.	<input type="text" value="(6.15)"/>
Dividend Rate %	<input type="text" value="-"/>

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

Item Code No. (ITC Code)	<input type="text" value="5205110"/>
Product Description	<input type="text" value="Cotton Yarn"/>
Item Code No. (ITC Code)	<input type="text" value="52091250"/>
Product Description	<input type="text" value="Cotton Canvas"/>
Item Code No. (ITC Code)	<input type="text" value="61091000"/>
Product Description	<input type="text" value="Knitted Garments"/>

SHAPOOR P. MISTRY
PALLONJI S. MISTRY
H. S. BHASKAR
ASHOK BARAT
D. G. PRASAD
C. G. SHAH

Chairman
Director
Executive Director & CEO

Directors

H. S. BILLIMORIA
RAMAOTAR GOYAL
PRADIP N. KAPADIA
R. N. JHA

Directors

S. RAGHUNATHAN
K. RAMANANDA PAI

Chief Financial Officer
Company Secretary

Mumbai, 27th May, 2010



Registered Office : 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560 025.
4th ANNUAL GENERAL MEETING ON FRIDAY, THE 3rd SEPTEMBER, 2010 AT 2.00 P.M.
VENUE : Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

ATTENDANCE SLIP

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

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

* DP ID No.

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

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

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

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



Registered Office : 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560 025.

PROXY FORM

I / We of
in the district of being a member(s) of the above-named Company, hereby appoint
..... of in the district of of failing him
..... of in the district of
as my/our proxy to attend and vote for me/us on my/our behalf at the 4th Annual General Meeting of the Company to be held on Friday, the
3rd September, 2010 and at any adjournment thereof.

Signed this day of2010.

FOR OFFICE USE ONLY

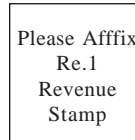
PROXY No. :

REGD. FOLIO :

No. OF SHARES :

* DP ID No.

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



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

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

LET MR. NICE GUY WAIT

Face it, fellas, the FACIT range of innerwear makes bad boys a lot more fun. Blame it on a range that includes five exciting collections, over 39 ubercool designs and unmatched comfort that sets you up for a wild and wicked time. Now seriously, who needs Mr Nice Guy?

FACIT™
PLAY BAD



Undergarments Launched

LET MR. NICE GUY WAIT

Face it, fellas, the FACIT range of innerwear makes bad boys a lot more fun. Blame it on a range that includes five exciting collections, over 39 ubercool designs and unmatched comfort that sets you up for a wild and wicked time. Now seriously, who needs Mr Nice Guy?

FACIT™
PLAY BAD



FACIT

teez



GOKAKTM
TEXTILES LIMITED

Registered Office:
1st floor, No. 45/3,
Gopalkrishna Complex,
Residency cross road
Bangalore – 560 025