



GOKAKTM
TEXTILES LIMITED

The logo for GOKAK Textiles Limited, featuring a stylized blue 'G' icon above the word 'GOKAK' in a large, bold, blue, sans-serif font, with a trademark symbol (TM) to the right. Below 'GOKAK' is the text 'TEXTILES LIMITED' in a smaller, blue, sans-serif font.

5th Annual Report 2010-2011



Rieter Carding Machine



Power House



Rieter C-60 Card

DIRECTORS	: SHAPOOR P. MISTRY PALLONJI S. MISTRY H.S.BHASKAR ASHOK BARAT D.G.PRASAD (Nominee Director, Export Import Bank of India) C. G. SHAH RAMAOTAR GOYAL PRADIP N. KAPADIA R.N.JHA KAIWAN KALYANIWALLA SANJAY SARKAR (Nominee Director, Export Import Bank of India)	– <i>Chairman</i> – <i>Executive Director & CEO</i> – (upto 29.04.2011) – (w.e.f. 29.04.2011)	
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 IDBI 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 Thursday, the 25th August, 2011 at 3.00 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 5th ANNUAL GENERAL MEETING of the Members of GOKAK TEXTILES LIMITED, will be held on Thursday, the 25th August, 2011 at 3.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001 to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 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.Shapoor P. Mistry who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr.Pallonji S. Mistry who retires by rotation and is eligible for re-appointment.
4. To appoint Messrs. Kalyaniwalla & Mistry, Chartered Accountants, as Auditors and to authorise the Board of Directors to fix their remuneration.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

“RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Murugesh & Co., Chartered Accountants, Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company’s Forbes Campbell Knitwear Division situate at Marihal, Belgaum and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company, in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting the audit”.

Special Business :

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

“RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956 to the Board of Directors / Committee(s) of Directors of the Company to mortgage and / or to create charge in order to secure the due repayment of working capital loan availed / to be availed by the Company from the following lender, together with the payment of interest thereon at the respective agreed rates, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to the lenders, in terms of its Letter(s) of Sanction / Loan Agreement(s) entered into executed by the Company, in respect of the following loan”.

Details of Loan and the Lender	Security
Foreign Currency Loan of US \$ 2.25 million (Rs.10,35,00,000) from Export-Import Bank of India to part finance the working capital requirements for execution of export orders.	(1) First pari-passu charge on the entire current assets of the Campbell Knitwear Division of the Company, both present and future. (2) First pari-passu charge by way of hypothecation of the entire moveable fixed assets (excluding those exclusively charged to other lenders) of the Company, both present and future.

“RESOLVED FURTHER that the mortgage / charge created and/or all agreements/documents executed and all acts done or to be done in terms of the above resolution by and with the authority of the Board of Directors or Committee(s) thereof, be and are hereby confirmed and ratified”.

“RESOLVED FURTHER that the Board of Directors of the Company / Committee(s) of Directors be and is hereby authorised to make or accept any amendment, modification, change or alterations as may be required from time to time in connection with the creation of aforesaid mortgage / charge in favour of Exim Bank”.

“RESOLVED FURTHER that the Board of Directors / Committee(s) of Directors of the Company be and is hereby authorized to do all other acts, deeds, matters and things as it may deem necessary, usual, requisite or proper for the purpose of giving effect to the aforesaid Resolution”.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
30th May, 2011.

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.6 & 7 is annexed hereto.
3. Members/Proxies are requested to bring their copy of Annual Report and duly-filled Attendance slips sent herewith to attend the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 16th August, 2011 to Thursday 25th August, 2011 (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 2010-11 or any other related matters are requested to write to the company well in advance before the date fixed for the annual general meeting, so that, the information required could be kept ready.
7. Nomination of shares : Pursuant to Section 109A of the Companies Act, 1956, individual Shareholders holding Equity Shares of the Company either singly or jointly may nominate an individual to whom all the rights in such Shares shall vest in the event of death of the sole/all joint Shareholders.
8. Please address all communications including lodging of Transfer Deeds to :-

REGISTRARS AND SHARE TRANSFER AGENTS

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

Branch Offices

- | | |
|--|--|
| <p>1. TSR Darashaw Ltd.
503, Barton Centre, 5th floor,
84, Mahatma Gandhi Road,
Bangalore 560 001
Tel.:080-25320321
Fax:080-25580019
e-mail:tsrdlbbang@tsrdarashaw.com</p> | <p>3. TSR Darashaw Ltd.
Bungalow No.1, "E" Road,
Northern Town, Bistupur,
Jamshepur 831 001
Tel.:0657-2426616
Fax:0657-2426937
e-mail:tsrdljsr@tsrdarashaw.com</p> |
| <p>2. 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</p> | <p>4. 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</p> |

Agent

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

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 Fax : 080 26689604
e-mail. ramanandapai@gokaktextiles.com

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

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ANNEXURE TO THE NOTICE

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

In respect of Item No. 6 :

The Board of Directors of the Company, appointed Mr. Kaiwan Kalyaniwalla as an Additional Director of the Company with effect from 24th September, 2010 in accordance with provisions of Section 260 of the Companies Act, 1956 (hereinafter referred to as "the Act") read with Article 124 of the Articles of Association of the Company (hereinafter referred to as "the Articles"). Mr. Kaiwan Kalyaniwalla holds office upto the date of the ensuing Annual General Meeting.

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

Mr. Kaiwan Kalyaniwalla, aged 46 years, is Solicitor & Advocate of the Bombay High Court and a Partner in the Law Firm Maneksha & Sethna in Mumbai. He is on the Board of various Indian and foreign companies. He has wide and varied experience as an Advocate in the field of corporate laws, property laws and general commercial laws. The Board of Directors consider that the appointment of Mr. Kaiwan Kalyaniwalla would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.6 of the Notice.

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

None of the directors of the company other than Mr. Kaiwan Kalyaniwalla is in any way concerned or interested in the aforesaid resolution.

In respect of Item No. 7 :

For the purpose of part finance the working capital requirements for execution of export orders a foreign currency loan of US\$ 2.25 mn (Rs.10,35,00,000) has been sanctioned by Export Import Bank of India (Exim Bank) vide their letter no.CBG:FCPC-190:66 dated 18th October, 2010 and letter no.CBG:FCPC-190:67 dated 18th October, 2010 and the same has been availed.

The said working capital foreign currency loan together with interest, premia, costs, expenses and all other monies payable by the Company to Exim Bank secured by creation of charge. The details of working capital loan availed is set out as below :

Details of Loan and the Lender	Security
Foreign Currency Loan of US \$ 2.25 million (Rs.10,35,00,000) from Export-Import Bank of India to part finance the working capital requirements for execution of export orders.	(1) First pari-passu charge on the entire current assets of the Campbell Knitwear Division of the Company, both present and future. (2) First pari-passu charge by way of hypothecation of the entire moveable fixed assets (excluding those exclusively charged to other lenders) of the Company, both present and future.

Section 293(1)(a) of the Companies Act, 1956 inter-alia, provides that the Board of Directors of a public limited company, shall not, without the consent of its shareholders in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company. Hence the resolution at Item no.7 of the Notice.

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

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

For and on behalf of the
Board of Directors

Mumbai
30th May, 2011.

SHAPOOR P. MISTRY
Chairman

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.Shapoor P. Mistry	Mr.Pallonji S. Mistry	Mr.Kaiwan Kalyaniwalla
Date of Birth	6 th September, 1964	1 st June, 1929	13 th August, 1964
Date of First Appointment	29 th November, 2006	1 st January, 2007	24 th September, 2010
Qualification	B.A. (England) – Business & Economics	Inter Arts	B.A. LLB
Relationships between directors inter-se	Promoter Director Related to Mr.Pallonji S. Mistry	Promoter Director Related to Mr.Shapoor P. Mistry	Not related to any director of the Company
Expertise in specific functional areas	Mr.Shapoor P Mistry is the Chairman of Forbes & Company Ltd., and Eureka Forbs Ltd., and Managing Director of Shapoorji Pallonji & Co. Ltd., He is also a Director of several public limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr.Pallonji S. Mistry is the Chairman of Shapoorji Pallonji Group. He is also a Director of several public limited Companies. His expertise includes formation of business plans, risk evaluation, business investment strategy and property and infrastructure development	Mr.Kaiwan Kalyaniwalla is a Solicitor and Advocate of the Bombay High Court and Partner of the law firm of Maneksha & Sethna in Mumbai. He is on the board of various Indian and Foreign Companies and advises private sector corporate, multinational banks, logistics and shipping companies and some of India's largest property development companies and business houses
List of Public Limited Companies in which Directorship held as on 31 st March, 2011	<ol style="list-style-type: none"> 1. Shapoorji Pallonji & Co. Ltd., 2. Afcons Infrastructure Ltd., 3. Cyrus Investments Ltd., 4. Eureka Forbes Ltd., 5. Forbes & Company Ltd., 6. Forvol International Services Ltd., 7. Shapoorji Pallonji Finance Ltd., 8. Shapoorji Pallonji Infrastructure Captial Co. Ltd., 9. Shapoorji Pallonji Power Co. Ltd., 10. The Indian Hotels Company Ltd., 11. United Motors (India) Ltd., 	<ol style="list-style-type: none"> 1. Shapoorji Pallonji & Co. Ltd., 2. Afcons Infrastructure Ltd., 3. Cyrus Investments Ltd., 4. Forbes & Company Ltd., 5. Forvol International Services Ltd., 6. Shapoorji Pallonji Finance Ltd., 7. Shapoorji Pallonji Infrastructure Captial Co. Ltd., 8. Shapoorji Pallonji Power Co. Ltd., 9. United Motors (India) Ltd., 	<ol style="list-style-type: none"> 1. Allcargo Global Logistics Ltd., 2. Hindustan Cargo Ltd., 3. Great Offshore Ltd., 4. Raheja Universal Ltd.,
Member of the Board Committees	<ol style="list-style-type: none"> 1. <u>Audit Committee</u> United Motors (India) Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> (a) United Motors (India) Ltd., (b) Gokak Textiles Ltd., 3. <u>Remuneration Committee</u> (a) Forbes & Company Ltd., (b) Shapoorji Pallonji Finance Ltd., (c) Gokak Textiles Ltd., 	<ol style="list-style-type: none"> 1. <u>Share Transfer & Shareholders Grievance Committee</u> Forbes & Company Ltd., 2. <u>Remuneration Committee</u> (a) Forbes & Company Ltd., (b) Shapoorji Pallonji Finance Ltd., 	<ol style="list-style-type: none"> 1. <u>Audit Committee</u> (a) Allcargo Global Logistics Ltd., (b) Raheja Universal Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> (a) Allcargo Global Logistics Ltd., (b) Raheja Universal Ltd., 3. <u>Remuneration Committee</u> (a) Allcargo Global Logistics Ltd., (b) Raheja Universal Ltd., (c) Gokak Textiles Ltd.,
No. of shares held	Nil	Nil	Nil

Mumbai
30th May, 2011.

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

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

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DIRECTORS' REPORT

To,
The Shareholders

Your Directors submit their Report and Audited Accounts of the Company for the year ended 31st March, 2011.

1. FINANCIAL RESULTS:

The summarized financial results are set out below :

(Rs. in Crores)

	For the year ended 31 st March 2011	For the year ended 31 st March 2010
(a) Gross Income	405.49	313.40
(b) Less: Costs	358.14	293.25
(c) Balance	47.35	20.15
(d) Less: Interest and Financial Charges (Net)	24.58	25.15
(e) Balance	22.77	(5.00)
(f) Less: Depreciation	13.54	12.91
(g) Loss after depreciation carried to Balance Sheet	9.23	(17.91)
(h) Less: Provision for taxation	(0.14)	(13.92)
(i) Net Profit / loss	9.37	(3.99)
(j) Add : Balance brought forward	(22.39)	(18.40)
(k) Balance carried to Balance Sheet	(13.02)	(22.39)

Your Company has recorded gross income of Rs.405.49 Crores. for the year ended 31st March, 2011 as compared to Rs.313.40 Crores in the year ended 31st March, 2010 and profit after tax of Rs.9.37 Cores for the year under review as compared to net loss of Rs.3.99 Crores for the year ended 31st March, 2010. The year 2010-11 witnessed a reasonable improvement in the Company's business performance. The profit includes profit on sale of investment of Rs.7.34 Crores.

2. SHARE CAPITAL & DIVIDEND:

The Paid up Share Capital of the Company is Rs.6.50 Crores. 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 17% of the country's total exports earnings.

There are various reports of lower production of cotton internationally due to natural calamities and bad weather which coupled with the announcement by Government of India allowing 55 lakh bales of cotton export right from the beginning of the season pushed the cotton prices to a record high level with high volatility. Varieties of cotton which were available between Rs. 22,000/- to Rs. 25,000/- in the previous season

were priced between Rs. 58,000/- to Rs. 64,000/- per candy at their peak. However, starting from May, 2010, yarn prices also steeply went up in line with the cotton price along with increased demand. Hence, textile industry in general started earning a reasonable profit till Government of India brought a restriction of export of cotton yarn and limiting the export to 720 million Kgs. Textile Mills and traders had valid contracts, Letter of Credits etc. on hand when this abrupt stoppage of export was announced by Government of India during the month of December, 2010 were unable to fulfill the contractual demand to various segments of exports resulting in erosion of confidence in the minds of foreign customers and international traders on the stable Government policies and the capability of spinning mills to deliver yarn. Even though the measures taken by the government appears to be short-term in nature, has a cascading effect on both immediate and future export markets due to uncertainties that may crop up and erosion of confidence. Even though most of the textile mills did well during the financial year under review, it is expected that the near short-term prospects of industry recovering to a healthy position appears to be bleak.

Major consuming countries like USA and Europe have continuously experienced low level of inflation ranging between 1.5% to 3% and the sudden jump in the cotton prices forced industry to increase the prices of textile products in double digits which resulted in erosion of demand at retail points. Buying a clothing beyond a certain level is no more a basic necessity and viewed as an avoidable house hold expenditure during the inflationary times. Hence vagaries of demand will continue.

3.2. Opportunities and Threats :

During the year under review, due to good and extended monsoon, the Hydro power generation by the Company was better than the previous years which resulted in substantial savings in power cost taken as a percentage to the over all turnover. As per the Meteorological Department, the monsoon is predicted to be normal and hence the generation of power is expected to be at similar levels for the financial year 2011-2012.

The volatility in cotton prices coupled with the restrictions of export of yarn by the Government of India brought in lot of pressure on the Company and the band width of the top management was under test to cope up with many uncertainties and opportunities created during the financial year under review. In spite of these uncertainties, the company focused its attention in manufacturing certain special products.

With various factors coupled with restrictions of export imposed by Government of India, suddenly there was a mismatch in the demand and supply position of yarn in the local market, as a result of which, yarn prices witnessed freefall without any relevance to the cotton price which was continuously going up. Looking to the situation and increase in yarn stock, the yarn division was forced to reduce the production during the last two months of the financial year under review.

On the other hand, sharp continuous increase in raw material prices, increase in input cost, continued weakness in developed geographic, higher domestic inflation, interest rate were some of the challenges faced by the textile industry at large during the year under review.

For the cotton season starting from October, 2011, Government of India is contemplating and bringing both cotton and yarn under Open General License and hence the speculative trend may once again reemerge in the cotton trade which may give rise to higher volatility in raw material cost.

3.3. Segment-wise or product –wise performance:

During the year under review, the major improvement has come in the production of Dyed yarn when compared to previous financial year. The demand for company’s dyed yarn steadily increased. Similarly, the performance of coarse count was better and hence the grey yarn production also increased proportionately to meet the demand of the market. The installation of slub equipment gave rise to improved sales realization of coarse grey yarn. One of our major product mixes in Open End (OE) category of yarn went out of the market as a result of which, our OE production moved towards finer counts when compared to previous year and hence production of OE yarn was marginally down for the entire year in terms of quantity. However, in terms of value it was substantially higher. As a result of very high yarn prices, coupled with volatility, the commodity canvas production did not find demand and hence canvas fabric production was lower for the entire financial year.

Due to wide difference in prices of major inputs on the day the orders were booked and the time of actual executions of orders were made, had a great impact on the working of both Forbes Campbell Knitwear Division and Brands Division.

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 are being approached in a planned and co-ordinated manner.

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

3.5. Outlook:

The steep increase in prices of cotton and its allied products to a record level did not sustain for a long time and eventually destroyed the demand. This destruction of demand happened across the globe impacting almost all the countries who are major producers of cotton textile products. As the prospects of recovery was very slim, China’s purchase of cotton reduced upto 35% which resulted in bringing down the cotton prices unabatedly. Already due to lack of exports, Indian spinning mills have accumulated huge stocks and were also carrying reasonable amount of cotton stock at very high prices. When cotton prices started falling on a daily basis, the yarn prices also started declining at a faster pace. Even though exports were opened from 1st April, 2011, the erosion of confidence on the ability of spinning mills to supply committed quantities played a major role and most of the spinning mills started experiencing lack of demand for Indian yarns in the international market. This lack of demand for Indian yarn further gave rise to additional stock. Spinning mills in order to keep up the liquidity to maintain their commitments of payment to various stakeholders stated diluting stocks at very low prices. Demand position is still very weak and yarn prices are declining day-by-day.

Considering the continuous drop of both cotton and yarn prices, entire sector has to absorb huge stock losses on account of both raw material and finished goods. Apart from this, most of the spinning mills will be bringing down the production also to prevent any further escalation in stock and hence even at operational level mills are expected to make substantial losses.

It is expected that both cotton and yarn prices may stabilise

from the new season of the cotton starting from October and hence half yearly results of most of the players in this sector in the financial year 2011-2012 may get affected.

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 continues 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, 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.

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4. DIRECTORS :

Mr. Kaiwan Kalyaniwalla was appointed as Additional Director of the Company with effect from 24th September, 2010 and holds office upto the date of this Annual General Meeting of the Company. The Board of Directors commends the appointment of Mr. Kaiwan Kalyaniwalla as a Director of the Company.

Mr. Shapoor P. Mistry and Mr. Pallonji S. Mistry are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Board of Directors commends their re-appointment.

Export-Import Bank of India had appointed vide their letter dated 29.04.2011, Mr. Sanjay Sarkar as their nominee on the Board of Directors in place of Mr. D.G. Prasad. The Board places on record, their sincere appreciation of services rendered by Mr. D.G. Prasad to the Company.

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 and based on the representations received from the operating management, the Directors hereby confirm that:-

- a. in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. they have prepared the annual accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

7. DISINVESTMENT OF SHARES OF P.T. GOKAK INDONESIA :

The Company held 1375 shares of face value of US\$ 1000 each of P.T. Gokak Indonesia, of book value of Rs.1,000/-. During the year, these shares have been sold and company has earned a profit of Rs.7.34 Crores.

8. AUDITORS AND AUDIT REPORT:

Messrs. Kalyaniwalla & Mistry, Chartered Accountants, Statutory Auditors of the Company and Messrs. H. B. Muruges & 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.

9. 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.

10. COST AUDITORS :

The Central Government approved the appointment of Messrs. A G Anikhindi & Co., Cost Accountants, 1730, Rajarampuri, 6th Lane, Kolhapur-416008 Maharashtra State as Cost Auditors of the Company for the financial year 2010-11.

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. The Cost Audit Report for the year 2009-10 has been filed with Central Government on 17th September, 2010 within the due date.

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

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

12. PARTICULARS OF EMPLOYEES :

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

13. SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKE-OVERS) 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. Shapoorji Pallonji & Company Ltd.,
2. Abhipreet Trading Co.Pvt. Ltd.,
3. Afcons (Overseas) Constructions and Investments Pvt.Ltd.,
4. Afcons Offshore and Marine Services Pvt. Ltd.,
5. Afcons Construction Mideast LLC Dubai, UAE
6. Afcons Gulf International Projects Services FZE
7. Afcons Infrastructure Ltd.,
8. Afcons Infrastructure International Ltd., (AAIL) Mauritius
9. Afcons Madagascar Overseas SARL, Madagascar
10. Alaya Properties Pvt. Ltd.,
11. Archaic Properties Pvt.Ltd.,
12. Aquamall Water Solutions Ltd.,
13. Aquadiagnostics Water Research & Technology Centre Ltd.,
14. Bengal Shapoorji Business Parks Pvt.Ltd.,
15. Bengal Shapoorji Infrastructure Development Pvt.Ltd.,
16. Blue Riband Properties Pvt.Ltd.,

17. Cama Properties Pvt.Ltd.,
 18. Chinsha Properties Pvt.Ltd.,
 19. Corporate Apparel U.S.A., Inc
 20. Cyrus Engineers Pvt.Ltd.,
 21. Delna Finance & Investments Pvt.Ltd.,
 22. Delphi Properties Pvt. Ltd.,
 23. Devine Realty & Construction Pvt. Ltd.,
 24. Doris Properties Pvt.Ltd.,
 25. Drashti Developers Pvt. Ltd.,
 26. East View Estate Pvt.Ltd.,
 27. Eureka Forbes Ltd.,
 28. Euro Forbes International Pte.Ltd.,
 29. E4 Development & Coaching Ltd.,
 30. Empower Builders Pvt. Ltd.,
 31. Firstrock Infrastructure Pvt.Ltd.,
 32. Fayland Estates Pvt. Ltd.,
 33. Flamboyant Developers Pvt. Ltd.,
 34. Flooraise Developers Pvt.Ltd.,
 35. Floral Finance Pvt.Ltd.,
 36. Floreat Investments Ltd.,
 37. Flotilla Finance Pvt.Ltd.,
 38. Forvol International Services Ltd.,
 39. Forbes & Company Ltd.,
 40. Forbes Aquamall Ltd.,
 41. Forbes Bumi Armada Ltd.,
 42. Forbes Campbell Finance Ltd.,
(formerly known as Latham India Ltd.)
 43. Forbes Campbell Services Ltd.,
 44. Forbes Edumetry Ltd.,
 45. Forbes Environ Solutions Ltd.,
 46. Forbes Facility Services Pvt. Ltd.,
 47. Forbes Smart Data Ltd.,
 48. Forbes Technosys Ltd.,
 49. Gallops Developers Pvt. Ltd.,
 50. Gossip Properties Pvt.Ltd.,
 51. Hazarat & Company Pvt.Ltd.,
 52. Hermes Commerce Ltd.,
 53. High Point Properties Ltd.,
 54. Khvafar Investments Pvt. Ltd.,
 55. Joy Car Care Pvt. Ltd.,
 56. Lucrative Properties Pvt. Ltd.,
 57. Magpie Finance Pvt. Ltd.,
 58. Make home Realty & Construction Pvt. Ltd.,
 59. Manjri Developers Pvt.Ltd.,
 60. Manjri Horse Breeders Farm Pvt.Ltd.,
 61. Mazsons Builders & Developers Pvt.Ltd.,
 62. Meriland Estates Pvt.Ltd.,
 63. Mileage Properties Pvt.Ltd.,
 64. Miracletouch Developers Pvt. Ltd.,
 65. Mydream Properties Pvt. Ltd.,
 66. Neil Properties Pvt.Ltd.,
 67. Next Gen Publishing Ltd.,
 68. Palchin Real Estates Pvt.Ltd.,
 69. Phenomenon Developers Pvt. Ltd.,
 70. Precaution Properties Pvt.Ltd.,
 71. PSC Engineers Pvt. Ltd.,
 72. Radiant Energy Systems Pvt. Ltd.,
 73. Range Consultants Pvt. Ltd.,
 74. Relationship properties Pvt.Ltd.,
 75. Renaissance Commerce Pvt. Ltd.,
 76. S.C.Impex Pvt.Ltd.,
 77. Shachin Real Estate Pvt.Ltd.,
 78. Shapoorji & Co.Pvt.Ltd.,
 79. Shapoorji Data Processing Pvt.Ltd.,
 80. Shapoorji Drilling Enterprises Pvt.Ltd.,
 81. Shapoorji Pallonji Finance Ltd.,
 82. Shapoorji Hotels Pvt.Ltd.,
 83. Shapoorji Pallonji Infrastructure Capital Co.Ltd.,
 84. Shapoorji Pallonji Investment Advisors Pvt. Ltd., (formerly known as Euphoria Properties Pvt. Ltd.)
 85. Shapoorji Pallonji International, Fujairah, UAE
 86. Shapoorji Pallonji International, Dafza, UAE
 87. Shapoorji Pallonji Infrastructure (Gujarat) Pvt. Ltd.,
 88. Shapoorji Pallonji Cement (Gujarat) Pvt. Ltd.,
 89. Shapoorji Pallonji Energy (Gujarat) Pvt. Ltd.,
 90. Shapoorji Pallonji (Gwalior) Pvt. Ltd.,
 91. Shapoorji Pallonji Industrial Park Pvt. Ltd.,
 92. Shapoorji Pallonji Ports Pvt.Ltd.,
 93. Shapoorji Pallonji Power Co.Ltd.,
 94. Sharus Building Services Pvt.Ltd.,
 95. Shatranj Properties Pvt. Ltd.,
 96. Simar Engery (Gujarat) Pvt. Ltd.,
 97. Simar Port Pvt. Ltd.,
 98. SP Agri Management Services Pvt.Ltd.,
 99. SP Aluminium Systems Pvt.Ltd.,
 100. SP Architectural Coatings Ltd.,
 101. SP Biosciences Pvt. Ltd.,
 102. SP Fabricators Pvt. Ltd.,
 103. SP Infocity Developers 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 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. Universal Mine Developers and Service Providers Pvt. Ltd.,
 117. Volkart Fleming Shipping & Services Ltd.,
 118. 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.
- 15. 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
- SHAPOOR P. MISTRY**
Chairman
- Mumbai
30th May, 2011.
- Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025.

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

(A) Conservation of Energy

Measures taken during the year include the following:-

(a) ENERGY CONSERVATION MEASURES TAKEN FOR THE YEAR 2010-11:

1. Installed star/ Delta/ Star Converter for TFO under loaded motors in 2 Mill & 4 Mill.
2. Installed 15 Nos. of CFL lamps in place of Sodium Vapour Lamp in Mill compound.
3. Under loaded 2 Nos. of delta running 30kW supply air fan converted to Star mode in 1 Mill Spinning Humidification plant.
4. Overhauling, Lubrication and replacement of old inefficient bearings by new one in all DJ5 Ring frame machines in 2 Mill.
5. Blade angle of Supply air fan is reduced in Humidification plant, Mill No. 1 & Mill No. 2 Spinning to reduce the load on fan motors.
6. Estimated the quantity of air leakage by Rotameter and accordingly leakage was arrested in all autoconers.
7. Replacement of old inefficient air dryer with new one.
8. Replaced the ordinary ballast by the electronic choke in tubelights.

(b) ADDITIONAL INVESTMENT PROPOSALS:

1. Star Delta Converters to all 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 and converting some old manual APFC panels to auto mode.
7. Procuring Energy Audit instruments for conducting baseline Energy Audit.
8. Blade angle of Supply Air Fan is reduced from in Humidification Plant of 1 Mill & 2 Mill Spinning.
9. To become Designated Consumer and go according to PAT scheme.

(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 lighting consumption due to measures taken at (a) 8 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 :	<u>(Rs. Crores)</u>
1. Exports	76.67
2. Commission	—
Total	<u>76.67</u>
(b) Foreign exchange outgo :	<u>(Rs. Crores)</u>
1. Imports calculated on CIF basis – raw material	1.67
2. Imports calculated on CIF basis – stores, spares and tools	1.44
3. Imports calculated on CIF basis – capital goods	0.15
4. Commission to overseas agents	0.84
5. Foreign travel	0.10
6. Royalty	—
7. Interest paid on loans	0.64
8. Others	0.11
Total	<u>4.95</u>

FORM - A
(See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

(A) Power and Fuel Consumption :		Current year ended 31-03-2011	Previous year ended 31-03-2010
1. Electricity			
(a) Purchased			
Unit	‘000 kwh	40,609.05	54,016.98
Total Amount	Rs.in Lakhs	2151.40	2,550.06
Rate / unit	Rs.	5.30	4.72
(b) Own Generation			
Through Diesel Generator Unit	000 kwh	1,070.96	1,641.87
Unit/Litre of Diesel oil	kwh	2.85	2.62
Cost/unit	Rs.	12.90	12.45
2. Coal (Steam-coal-used in Boilers)			
(a) Quantity	Tonnes	8,798.64	7,637.84
(b) Total Cost	Rs.in Lakhs	445.65	365.25
(c) Average rate / tonne	Rs.	5,065.04	4,782.08
3. Diesel (Used in Generator)			
(a) Quantity	‘000 Litre	92.84	625.88
(b) Total Cost	Rs.Lakhs	35.82	204.48
(c) Average rate per kilolitre	Rs.	36,175.83	32,670.80
4. Diesel (Used in Thermic Fluid Heater)			
(a) Quantity	‘000 Litre	3.98	14.14
(b) Total Cost	Rs.Lakhs	1.44	4.59
(c) Average rate per kilolitre	Rs.	36,176.00	32,440.00
5. Furnance Oil		Nil	Nil
6. H.F.O. Power Generation			
Units	‘000 kwh	2,693.08	2,954.35
Total Amount	Rs.in Lakhs	258.75	209.00
Rate / unit	Rs.	9.61	7.07
7. Others/Internal Generation			
(i) Bagasse/Paddy Husk			
(a) Quantity	Tonnes	6,534.74	4,815.36
(b) Total Cost	Rs.in Lakhs	184.82	128.07
(c) Average rate / tonne	Rs.	2,828.26	2,659.66
(ii) Gas			
(a) Quantity	1000 M ³	-	-
(b) Total Cost	Rs.in Lakhs	-	-
(c) Average rate/M ³	Rs.	-	-
(iii) Water (for Hydro-Generating Sets)			
(a) Quantity	Cusec	542,112	557,462
(b) Total Cost	Rs.in Lakhs	102.88	42.82
(c) Average rate / cusec	Rs.	18.98	7.68

(B) Consumption per Unit of production :		Standard if any	Current Year	Previous Year	Reasons for variation
Product : Yarn/Canvas/Terry Towel / Knitted Garments					
Unit of Production :Kg./Pieces					
1. Electricity	Kwh	-	5.05	4.84	#
2. Coal	Kg.	-	0.40	0.36	#
3. Diesel	Ltrs.	-	0.13	-	#
4. Diesel for Thermic Fluid	Ltrs.	-	-	0.01	#
5. Furnance Oil	Ltrs.	-	0.03	-	#
6. Bagasee/Paddy Husk	Kg.	-	2.70	1.98	#
7. Gas	M ³	-	-	-	#
8. Water	Cusec	-	0.025	0.026	#

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 - | |
| | | a) Introduction of new fibres like Acrylic, Karmel, Micro Polyester, Nylon and blends, Beltron Polyester, Lenzing fibres, Micro Modal, antistatic fibres blends for adding value. | |
| 2. Benefits derived as a result of the above R&D: | | a) New products developed by R & D have been commercialised. | |
| | | b) With the introduction of the new products, we have been able to cater to high-end exclusive market, which has resulted in value added products. | |
| 3. Future course of action: | | a) Recycled Waste melange of cotton and polyester yarns for local fabric markets. | |
| | | b) Special fibres for fire retardant end use. | |
| 4. Expenditure on R & D: | | | (Rs. in Lakhs) |
| a) Capital | | | - |
| b) Recurring | | | 81.76 |
| c) Total | | | <u>81.76</u> |
| d) Total R & D expenditure as percentage of total turnover | | | <u>0.20%</u> |

FORM B
(See Rule 2)

(B) Technology Absorption, Adaptation and Innovation :

1. Efforts in brief, made towards technology absorption, adaptation and innovation.
 - a) In this year two Caipo Slub Attachment from M/S.Lakshmi Machine Works, Coimbatore are added in Mill no.2
2. Benefits derived as a result of the above.

The product has been commercialised
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, 2011
Note : Position indicated is as at the end of the year i.e. 31st March, 2011, 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, 2011 See Annexure AA
i. Promoter Directors.	2
ii. Managing/Executive Directors.	1
iii. Non-Executive Director(s).	9 (including 2 included in (i) above)
iv. Independent Non-Executive Directors.	5 (included in (iii) above)
v. Nominee Directors.	1 (included in (iv) above)
vi. Institutional Director in which capacity –Lender or Equity Investor.	Lender (Export Import Bank of India)
	Non-Executive Directors are more than 50% of total Directors. The Chairman is non-executive promoter and the number of Independent Directors are 1/2 of the Board. No Director is related to any other Director on the Board in terms of definition of 'relative' under the Companies Act, 1956, 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 : – 27.05.2010 12.08.2010 10.11.2010 10.02.2011 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, 2011. 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 26th May, 2011.</p>		
3. Audit Committee (AC) :			
i. Brief description of terms of reference of Audit Committee.	<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. 		
ii. Composition, name of members and Chairperson. & iii. attendance during the year / meetings held during his tenure.	Name	No. of AC Meetings held during his tenure	No. of AC Meetings attended by him
	* Mr.D.G. Prasad @ # (Chairman)	4	4
	* Mr.Ashok Barat	4	3
	* Mr.H.S.Billimoria @	1	1
	* Mr.Ramaotar Goyal @	4	2
	* Mr. R.N. Jha @	4	4
	<p>* Non-Executive Director @ Non Executive Independent Director / # ceased on 29.04.2011 All members are financially literate and have Accounting expertise. Mr.K.Ramananda Pai, the Company Secretary, acts as the Secretary of the Committee.</p>		
iv. Number of Audit Committee meetings held- dates on which held	<p>4 Audit Committee meetings were held on the following dates - 27.05.2010 12.08.2010 10.11.2010 10.02.2011 The gap between two consecutive Audit Committee Meetings was not more than four months.</p>		
4. Remuneration Committee :			
i. Brief description of terms of reference	<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>		
ii. Composition, name of members and Chairperson & iii. attendance during the year / meetings held during his tenure.	Name	No. of Meetings held during his tenure	No. of Meetings attended by him
	Mr. Shapoor P.Mistry (Chairman)	1	1
	Mr. D.G Prasad @ #	1	1
	Mr. H.S.Billimoria @	1	1
	Mr. Ramaotar Goyal @	1	1
	Mr. R.N.Jha @	1	1
	@ Independent Directors # Ceased on 29.4.2011		

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iv. Remuneration Policy	The Remuneration Committee would determine and recommends to the Board the compensation of the Whole-time Director. The Remuneration Committee would make regular appraisal of his performance. The compensation policy and strategy of the Company is to be competitive, by following bench-marking for determining performance and compensation structure. The Company does not have stock options. The other details are as under :				
v. A. Details of remuneration to Whole-time director as per the format listing out the following :	Mr. H.S. Bhaskar Rs.				
(a) Salary and allowance	28,86,344				
(b) Benefits and perquisites	7,12,756				
(c) Bonus / Commission	12,00,000 (paid during the year for the financial year ended 31.03.2010)				
(d) Pension-contribution to PF & Superannuation Fund	4,31,892				
(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	20000	Nil	20000
	Mr. Shapoor P. Mistry	Nil	30000	Nil	30000
	Mr. Ashok Barat	Nil	60000	Nil	60000
	Mr. D. G. Prasad	Nil	* 90000	Nil	* 90000
	Mr. C. G. Shah	7	40000	Nil	40000
	Mr. H. S. Billimoria	Nil	30000	Nil	30000
	Mr. Ramaotar Goyal	Nil	50000	Nil	50000
	Mr. Pradip N. Kapadia	Nil	30000	Nil	30000
	Mr. R.N.Jha	Nil	90000	Nil	90000
	Mr. Kaiwan Kalyaniwalla	Nil	20000	Nil	20000
	* 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, 2011.				
6. General Body Meetings:					
i. Location and time where last three Annual General Meetings (AGM) held	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 September 2009 at 2.00 p.m. Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560 001	4 th AGM held on 3 rd September 2010 at 2.00 p.m. Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560 001		
Note : This is the 5 th AGM of the Company.					

<p>ii. Details of Special Resolutions passed in the previous 3 AGMs</p>	<p>(1) 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>(2) 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>(3) 4th AGM – 03rd September, 2010 :</p> <p>(a) Reappointment of Mr.H.S.Bhaskar, Executive Director & CEO as Wholetime Director for a period of 3 years from 31.07.2010 to 30.07.2013</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 31.3.2011.</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>v. The presentation made to institutional investors or to the analysts.</p> <p>vi. Whether Management Discussion and Analysis is a part of Annual Report or not.</p>	<p>The quarterly results are published in newspapers. Quarterly and Annual results were published in Business Standard, Samyukta Karnataka (Kannada Daily)</p> <p>Results are made available on the Company’s website 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> <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>

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<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 Thursday, the 25th August 2011 at 3.00 p.m. at Khincha 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, 2011.</p> <p>The Register of Members and the Share Transfer Books of the Company will remain closed from 16th August 2011 to 25th August 2011.</p> <p>No dividend is proposed for the financial year 2010-11</p> <p>Shares of the Company are listed on Bombay Stock Exchange Ltd.,(BSE) Mumbai. Stock Code of the Company, allotted by Bombay Stock Exchange Ltd., Mumbai is 532957 and ISIN allotted under the dematerialisation procedure is INE642101014.</p> <p>The shares of the Company were listed on the Bombay Stock Exchange Ltd., and the Market price data i.e. high/low during each month of the financial year for the share of face value of Rs.10 each are as under:</p>																																									
	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="text-align: left;">Month and Year</th> <th style="text-align: center;">High Rs.</th> <th style="text-align: center;">Low Rs.</th> </tr> </thead> <tbody> <tr><td>April, 2010</td><td>70.45</td><td>51.50</td></tr> <tr><td>May, 2010</td><td>72.30</td><td>49.75</td></tr> <tr><td>June, 2010</td><td>75.95</td><td>51.55</td></tr> <tr><td>July, 2010</td><td>78.65</td><td>63.95</td></tr> <tr><td>Aug. 2010</td><td>84.80</td><td>74.00</td></tr> <tr><td>Sep.,2010</td><td>89.00</td><td>71.60</td></tr> <tr><td>Oct. 2010</td><td>88.90</td><td>75.25</td></tr> <tr><td>Nov.2010</td><td>106.00</td><td>72.25</td></tr> <tr><td>Dec.2010</td><td>85.00</td><td>70.30</td></tr> <tr><td>Jan. 2011</td><td>90.00</td><td>70.75</td></tr> <tr><td>Feb. 2011</td><td>78.90</td><td>60.00</td></tr> <tr><td>March, 2011</td><td>71.85</td><td>64.00</td></tr> </tbody> </table>			Month and Year	High Rs.	Low Rs.	April, 2010	70.45	51.50	May, 2010	72.30	49.75	June, 2010	75.95	51.55	July, 2010	78.65	63.95	Aug. 2010	84.80	74.00	Sep.,2010	89.00	71.60	Oct. 2010	88.90	75.25	Nov.2010	106.00	72.25	Dec.2010	85.00	70.30	Jan. 2011	90.00	70.75	Feb. 2011	78.90	60.00	March, 2011	71.85	64.00
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March, 2011	71.85	64.00																																								
<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 31.3.2011)	- Distribution by category			
	Category	No. of Shares	% to paidup capital	
	Promoters	47,80,845	73.56	
	Central/State Government(s)	55,171	0.85	
	Nationalised Banks	9,788	0.15	
	Bodies Corporate	2,49,705	3.84	
	Insurance Companies	3,02,322	4.65	
	Mutual Funds / UTI	211	0.00	
	FII's & OBCs	2,32,730	3.58	
	Public	8,68,536	13.37	
	Total	64,99,308	100.00	
	- Distribution by size of holding			
	Holding	No. of Shareholders	No. of Shares	% to paidup Capital
	1 to 5000	10555	5,14,184	7.91
	5001 to 10000	138	1,00,726	1.55
10001 to 20000	62	89,789	1.38	
20001 to 30000	22	55,307	0.85	
30001 to 40000	10	35,148	0.54	
40001 to 50000	5	22,084	0.34	
50001 to 100000	9	66,746	1.03	
100001 & above	14	56,15,324	86.40	
Total	10,815	64,99,308	100.00	
ixb. Dematerialisation of shares & liquidity (As on 31.3.2011)	Status of dematerialisation of shares and liquidity as on 31.3.2011			
	Details	No. of shares Holders	No. of shares	% to paidup Capital
	National Securities Depository Ltd.	4,557	60,42,923	92.98
	Central Depository Services (India) Ltd.	1,138	1,43,259	2.20
	Total dematerialized	5,695	61,86,182	95.18
	Physical	5,120	3,13,126	4.82
Total	10,815	64,99,308	100	
x. Outstanding GDR/ADR/ Warrants or any Convertible instruments, Conversion date and likely Impact on equity.	The Company has not issued any of these instruments so far.			
xi. Plant locations	<p><u>Mill :</u></p> <p>1. Gokak Falls – 591308 Dist. Belgaum, Karnataka State</p> <p><u>Factory:</u></p> <p>1. Bagalkot Road, Marihal Village, Dist. Belgaum, Karnataka State 591167</p> <p>2. CTS No.10588/1, Behind Ramdev Hotel, Nehru Nagar, Belgaum – 590010</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, (Near Famous Studio) Mahalaxmi, Mumbai - 400 011. Tel. : 91 22 6656 8484 Fax : 91 22 6656 8494 Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday) e-mail: dtambe@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 Fax : 080 26689604 e-mail: ramanandapai@gokaktextiles.com</p>
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For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
30th May, 2011

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, 2011.

For GOKAK TEXTILES LIMITED

H.S.BHASKAR
Executive Director & CEO

Mumbai
30th May, 2011

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, 2011.

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	2	No
2.	Mr. Shapoor P. Mistry	Non-Executive Promoter	4	2	Yes
3.	Mr. H. S. Bhaskar	Executive	4	4	Yes
4.	Mr. Ashok Barat	Non-Executive Non Independent	4	3	Yes
5.	Mr. D. G. Prasad	Non-Executive Independent (Nominee Director)	4	4	No
6.	Mr. C. G. Shah	Non-Executive Non Independent	4	4	Yes
7.	Mr. H. S. Billimoria	Non-Executive Independent	2	1	No
8.	Mr. Ramaotar Goyal	Non-Executive Independent	4	2	No
9.	Mr. Pradip N. Kapadia	Non-Executive Independent	4	3	No
10.	Mr. R. N. Jha	Non-Executive Independent	4	4	Yes
11.	Mr. Kaiwan Kalyaniwalla	Non-Executive Independent	2	2	N.A.

ANNEXURE 'AB'

Members of the other Boards of Directors or Board Committees in which the Director being a Director as at 31st March, 2011 is Chairman/a Member (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956, and also excluding Committee positions other than Audit Committee and Shareholders' Grievance Committee in accordance with Clause 49 I(C)(ii) of the Listing Agreement) is as follows :

Sl. No.	Name of the Director	No. of Directorships in other Boards	No. of other Committees (other than Gokak Textiles Ltd.) in which Chairman/Member	
			Chairman	Member
1.	Mr. 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	6	Nil	2
5.	Mr. D. G. Prasad	3	1	1
6.	Mr. C. G. Shah	Nil	Nil	Nil
7.	Mr. Ramaotar Goyal	1	Nil	Nil
8.	Mr. Pradip N. Kapadia	3	2	3
9.	Mr. R. N. Jha	4	1	3
10.	Mr. Kaiwan Kalyaniwalla	4	Nil	4

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.Shapoor P. Mistry	Mr.Pallonji S. Mistry	Mr.Kaiwan Kalyaniwalla
Date of Birth	6 th September, 1964	1 st June, 1929	13 th August, 1964
Date of First Appointment	29 th November, 2006	1 st January, 2007	24 th September, 2010
Qualification	B.A. (England) – Business & Economics	Inter Arts	B.A. LLB
Relationships between directors inter-se	Promoter Director Related to Mr.Pallonji S. Mistry	Promoter Director Related to Mr.Shapoor P. Mistry	Not related to any director of the Company
Expertise in specific functional areas	Mr.Shapoor P Mistry is the Chairman of Forbes & Company Ltd., and Eureka Forbs Ltd., and Managing Director of Shapoorji Pallonji & Co. Ltd., He is also a Director of several public limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr.Pallonji S. Mistry is the Chairman of Shapoorji Pallonji Group. He is also a Director of several public limited Companies. His expertise includes formation of business plans, risk evaluation, business investment strategy and property and infrastructure development	Mr.Kaiwan Kalyaniwalla is a Solicitor and Advocate of the Bombay High Court and Partner of the law firm of Maneksha & Sethna in Mumbai. He is on the board of various Indian and Foreign Companies and advises private sector corporate, multinational banks, logistics and shipping companies and some of India's largest property development companies and business houses
List of Public Limited Companies in which Directorship held as on 31 st March, 2011	<ol style="list-style-type: none"> 1. Shapoorji Pallonji & Co. Ltd., 2. Afcons Infrastructure Ltd., 3. Cyrus Investments Ltd., 4. Eureka Forbes Ltd., 5. Forbes & Company Ltd., 6. Forvol International Services Ltd., 7. Shapoorji Pallonji Finance Ltd., 8. Shapoorji Pallonji Infrastructure Captial Co. Ltd., 9. Shapoorji Pallonji Power Co. Ltd., 10. The Indian Hotels Company Ltd., 11. United Motors (India) Ltd., 	<ol style="list-style-type: none"> 1. Shapoorji Pallonji & Co. Ltd., 2. Afcons Infrastructure Ltd., 3. Cyrus Investments Ltd., 4. Forbes & Company Ltd., 5. Forvol International Services Ltd., 6. Shapoorji Pallonji Finance Ltd., 7. Shapoorji Pallonji Infrastructure Captial Co. Ltd., 8. Shapoorji Pallonji Power Co. Ltd., 9. United Motors (India) Ltd., 	<ol style="list-style-type: none"> 1. Allcargo Global Logistics Ltd., 2. Hindustan Cargo Ltd., 3. Great Offshore Ltd., 4. Raheja Universal Ltd.,
Member of the Board Committees	<ol style="list-style-type: none"> 1. <u>Audit Committee</u> United Motors (India) Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> (a) United Motors (India) Ltd., (b) Gokak Textiles Ltd., 3. <u>Remuneration Committee</u> (a) Forbes & Company Ltd., (b) Shapoorji Pallonji Finance Ltd., (c) Gokak Textiles Ltd., 	<ol style="list-style-type: none"> 1. <u>Share Transfer & Shareholders Grievance Committee</u> Forbes & Company Ltd., 2. <u>Remuneration Committee</u> (a) Forbes & Company Ltd., (b)Shapoorji Pallonji Finance Ltd., 	<ol style="list-style-type: none"> 1. <u>Audit Committee</u> (a) Allcargo Global Logistics Ltd., (b) Raheja Universal Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> (a) Allcargo Global Logistics Ltd., (b) Raheja Universal Ltd., 3. <u>Remuneration Committee</u> (a) Allcargo Global Logistics Ltd., (b) Raheja Universal Ltd., (c) Gokak Textiles Ltd.,
No. of shares held	Nil	Nil	Nil

Mumbai
30th May, 2011.
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex, Residency Cross Road,
Bangalore – 560 025.

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

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

To
The Members of,
Gokak Textiles Limited,
Bangalore.

We have examined the compliance of conditions of Corporate Governance by GOKAK TEXTILES LIMITED (the Company) for the year ended on 31st March , 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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

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

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

Bangalore,
14th May, 2011

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, 2011 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, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
 - d) In our opinion, the Balance Sheet, 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, 2011,
 - ii) in the case of the Profit and Loss Account, of the Profit 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, 2011, and taken on record by the Board of Directors, we report that, none of the Director is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Mumbai,
May 26, 2011

Vinayak M Padwal
Partner
Membership No. 49639

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **Gokak Textiles Limited** for the year ended 31st March, 2011.

- 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 except Rs.302,245 on account of Service Tax.
- (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	5,938,424	July,04 to April,10	High court of Karnataka Bangalore
	20,697,530		

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- 10) The Company's accumulated losses at the end of the financial year are not in excess of fifty percent of its net worth. The Company has not incurred cash losses during the financial year, however the company incurred cash losses in the immediately preceding financial year.
- 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.
- 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, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 15) According to the information and explanations given to us and the records examined by us, the Company has applied the term loans for the purpose for which the loans were obtained.
- 16) On the basis on an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long-term investment.
- 17) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 18) The Company did not issue any debentures during the 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.

Mumbai,
May 26, 2011

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

Vinayak M Padwal
Partner
Membership No. 49639

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SOURCES OF FUNDS			
1. Shareholder's fund			
(a) Share Capital	1	64,993,080	64,993,080
(b) Reserves & Surplus	2	585,850,610	492,120,613
		650,843,690	557,113,693
2. Loan Funds			
(a) Secured	3	2,067,219,841	1,826,118,115
(b) Unsecured	4	2,380,710	254,306,070
		2,069,600,551	2,080,424,185
3. Deferred Tax Liability		57,171,990	58,583,515
TOTAL		2,777,616,231	2,696,121,393
APPLICATION OF FUNDS			
4. Fixed Assets			
(a) Gross Block		4,268,601,049	4,004,566,490
(b) Less: Depreciation		2,483,229,693	2,348,410,779
(c) Net Block	5	1,785,371,356	1,656,155,711
(d) Capital work-in-progress		12,820,561	229,965,283
		1,798,191,917	1,886,120,994
5. Investments	6	50,002	51,002
6. Current Assets, Loans and Advances			
(a) Inventories	7	1,091,421,380	862,379,421
(b) Sundry Debtors	8	406,516,006	260,379,169
(c) Cash and Bank Balances	9	13,632,579	20,955,282
(d) Loans and Advances	10	326,463,791	339,220,694
		1,838,033,756	1,482,934,566
Less: Current Liabilities and Provisions			
(a) Liabilities	11	837,863,571	655,599,555
(b) Provisions	12	20,795,873	17,385,614
		858,659,444	672,985,169
Net Current Assets		979,374,312	809,949,397
TOTAL		2,777,616,231	2,696,121,393
Significant Accounting Policies	18		
Notes to Accounts	19		
The Schedules referred to above form an integral part of the Balance Sheet.	Signatures to Balance Sheet and Schedules 1 to 12, 18 and 19		
As per our Report attached	H. S. BHASKAR <i>Executive Director & CEO</i>		
For and on behalf of	ASHOK BARAT		
Kalyaniwalla & Mistry	C. G. SHAH		
<i>Chartered Accountants</i>	PRADIP N. KAPADIA		
Firm Regn No. 104607W	R. N. JHA		
	KAIWAN KALYANIWALLA		
	SANJAY SARKAR		
Vinayak M Padwal	} <i>Directors</i>		
<i>Partner</i>			
Membership No. 49639	S. RAGHUNATHAN	<i>Chief Financial Officer</i>	
Mumbai, 26th May, 2011	K. RAMANANDA PAI	<i>Company Secretary</i>	

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

Schedule	For the year ended 31st March, 2011 Rupees	For the year ended 31st March, 2010 Rupees
INCOME		
Sales (Gross)	3,911,460,570	3,046,698,106
Less Excise duty	1,128,475	728,332
Sales (Net)	3,910,332,095	3,045,969,774
Income from Services	30,680,151	6,760,973
Profit on Sale of Investment (Refer Schedule 19 Note 17 (c))	73,352,202	-
Other Income	40,482,804	81,280,831
	<u>4,054,847,252</u>	<u>3,134,011,578</u>
EXPENDITURE		
Materials consumed and purchase of goods	2,613,697,917	1,760,206,583
Manufacturing and other expenses	1,269,240,885	1,141,129,365
Inventory change	(301,597,730)	31,133,983
Interest and financial charges (net)	245,761,967	251,547,761
Depreciation	135,425,741	129,093,513
	<u>3,962,528,780</u>	<u>3,313,111,205</u>
PROFIT / (LOSS) BEFORE TAXATION	92,318,472	(179,099,627)
<i>Less: Provision For Taxation</i>		
- Current Tax	-	-
- Deferred Tax	(1,411,525)	(139,160,513)
	<u>(1,411,525)</u>	<u>(139,160,513)</u>
PROFIT / (LOSS) AFTER TAXATION	93,729,997	(39,939,114)
Balance Brought Forward	(223,911,073)	(183,971,959)
Balance Carried To Balance Sheet	(130,181,076)	(223,911,073)
Basic & Diluted Earnings per share	14.42	(6.15)
Signifiacnt Accounting Policies	18	
Notes to Accounts	19	

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

Firm Regn No. 104607W

Vinayak M Padwal

Partner

Membership No. 49639

Mumbai, 26th May, 2011

Signatures to Profit and Loss Account and Schedules 13 to 19

H. S. BHASKAR

Executive Director & CEO

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

SANJAY SARKAR

Directors

S. RAGHUNATHAN

Chief Financial Officer

K. RAMANANDA PAI

Company Secretary

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

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
	Rupees	Rupees
A. Cash flow from operating activities:		
Profit / (Loss) Before Tax	92,318,472	(179,099,627)
<u>Adjustment for</u>		
Depreciation	135,425,741	129,090,513
Voluntary Retirement Expenditure written off	–	13,066,113
Interest and Finance expenses	245,761,967	251,547,761
Interest Income	(287,158)	(212,487)
Dividend Income	(7,150)	(650)
Reversal of Provision for Diminution in Investment	(11,305,548)	–
Provision for Retirement Benefits	3,410,259	2,305,285
Foreign exchange (gain)/loss	476,992	(7,571,487)
Profit on Sale of Investment	(73,352,202)	–
Profit on sale of fixed assets	(93,866)	(165,789)
Operating Profit/(Loss) before Working capital changes	<u>392,347,507</u>	<u>208,959,632</u>
<u>Adjustment for</u>		
Inventory	(229,041,959)	(49,256,074)
Trade and other receivable	(132,958,692)	(113,082,745)
Trade payables and other liabilities	<u>181,124,753</u>	<u>(73,324,188)</u>
Cash generated / (used) from Operating activity	<u>211,471,609</u>	<u>(26,703,375)</u>
Taxes Paid	(299,808)	(598,762)
Net Cash generated/ (used) from Operating activity	<u>211,171,801</u>	<u>(27,302,137)</u>
B Cash flow from Investing activity		
Purchase of fixed assets	(47,523,798)	(78,585,536)
Proceeds from Sale of Fixed Assets	121,000	238,289
Proceeds from Sale of Investment	84,658,750	–
Interest Income	204,719	212,487
Dividend received	7,150	650
Net cash generated/ (used) in investing activity	<u>37,467,821</u>	<u>(78,134,110)</u>
C Cash Flow from financing activities		
Proceeds/(repayment) of borrowings (Net)	(11,339,621)	352,971,104
Interest paid	(244,622,704)	(251,086,362)
Net Cash inflow / (outflow) from Financing Activities	<u>(255,962,325)</u>	<u>101,884,742</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	<u>(7,322,703)</u>	<u>(3,551,505)</u>
Cash and Cash equivalents (Opening Balance)	20,955,282	24,506,787
Cash and cash equivalent (Closing Balance)	<u>13,632,579</u>	<u>20,955,282</u>

Notes:

1. Cash and cash equivalent

Cash, cheques on hand and remittances in transit	543,441	542,145
Balances with Scheduled Banks		
On Current Accounts	7,239,681	19,284,579
On Deposit Accounts	4,750,268	1,128,558
On Margin Accounts	1,099,189	–
	<u>13,632,579</u>	<u>20,955,282</u>
2. To finance working capital requirements, the Company's Bankers have sanctioned a total fund-based limit of Rs. 12,270 lac. Of this, limits utilised as on March 31, 2011 is Rs.10,109 lac.
3. Figures in brackets indicate cash outflow.

<p>As per our Report attached For and on behalf of Kalyaniwalla & Mistry <i>Chartered Accountants</i> Firm Regn No. 104607W</p> <p>Vinayak M Padwal <i>Partner</i> Membership No. 49639 Mumbai, 26th May, 2011</p>	<p>Signatures to Cash Flow Statement</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">H. S. BHASKAR</td> <td style="width: 5%;"></td> <td style="width: 25%;"><i>Executive Director & CEO</i></td> </tr> <tr> <td>ASHOK BARAT</td> <td rowspan="5" style="font-size: 4em; vertical-align: middle;">}</td> <td rowspan="5"><i>Directors</i></td> </tr> <tr> <td>C. G. SHAH</td> </tr> <tr> <td>PRADIP N. KAPADIA</td> </tr> <tr> <td>R. N. JHA</td> </tr> <tr> <td>KAIWAN KALYANIWALLA</td> </tr> <tr> <td>SANJAY SARKAR</td> <td></td> <td></td> </tr> <tr> <td>S. RAGHUNATHAN</td> <td></td> <td><i>Chief Financial Officer</i></td> </tr> <tr> <td>K. RAMANANDA PAI</td> <td></td> <td><i>Company Secretary</i></td> </tr> </table>	H. S. BHASKAR		<i>Executive Director & CEO</i>	ASHOK BARAT	}	<i>Directors</i>	C. G. SHAH	PRADIP N. KAPADIA	R. N. JHA	KAIWAN KALYANIWALLA	SANJAY SARKAR			S. RAGHUNATHAN		<i>Chief Financial Officer</i>	K. RAMANANDA PAI		<i>Company Secretary</i>
H. S. BHASKAR		<i>Executive Director & CEO</i>																		
ASHOK BARAT	}	<i>Directors</i>																		
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K. RAMANANDA PAI		<i>Company Secretary</i>																		

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 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	716,031,686	716,031,686
Profit and Loss Account Opening balance	(223,911,073)	(183,971,959)
<i>Add/Less: Profit / (Loss) as per Profit & Loss Account</i>	93,729,997	(39,939,114)
	<u>(130,181,076)</u>	<u>(223,911,073)</u>
Closing balance	<u>585,850,610</u>	<u>492,120,613</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 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 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)	19,574,800	31,574,800
b) 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	810,945,507	211,606,649
(ii) Demand Loan	200,000,000	452,000,000
	1,010,945,507	663,606,649
c) 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.1,93,33,332:Previous year Rs.1,70,000)	28,945,000	29,115,000
d) 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.4,05,51,071:Previous year Rs.Nil)	60,826,789	60,786,789
e) 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.3,80,90,000;Previous year Rs.8,00,000)	182,632,435	183,432,435
f) 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.3,80,92,000;Previous year Rs.96,50,000)	220,500,000	196,897,063
g) 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.4,12,00,000 ; Previous year Rs.3,36,00,000)	145,022,948	178,622,948
h) 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.5,00,00,000 ; Previous year Rs.3,84,00,000)	137,172,362	175,572,362

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
i) 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.11,25,00,000 : Previous year Rs.3,75,00,000)	112,500,000	150,000,000
j) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme for setting up of mini Hydrel 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 Hydrel 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.2,13,00,000;Previous year Rs.57,56,250)	149,100,100	154,856,250
k) Federal Bank Vehicle Loan (Secured by Vehicle) (Repayable within a year Rs.NIL;Previous year Rs.8,99,808)	-	1,653,819
	<u>2,067,219,841</u>	<u>1,826,118,115</u>

SCHEDULE 4: UNSECURED LOANS

Sales Tax Deferment loan (Amount due within a year Rs 19,25,360; Previous year Rs.19,25,360)	2,380,710	4,306,070
Short Term Loan (from Standard Chartered Bank)	-	250,000,000
	<u>2,380,710</u>	<u>254,306,070</u>

SCHEDULES FORMING PART OF BALANCE SHEET SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

SCHEDULE – 5: FIXED ASSETS (Refer Schedule 18, Note 3 and Schedule 19, Note 3)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2010	Addition	Deduction	As on 31.03.2011	Upto 01.04.2010	During the year	Deductions during the year	Upto 31.03.2011	Balance as on 31.03.2011	Balance as on 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Intangible Assets										
Computer Software	6,890,514	386,378	–	7,276,892	6,890,514	386,378	–	7,276,892	–	–
Tangible Assets										
Leasehold Land	150,000	–	–	150,000	150,000	–	–	150,000	–	–
Freehold Land	2,245,450	–	–	2,245,450	–	–	–	–	2,245,450	2,245,450
Factory Building	474,087,851	131,452,387	–	605,540,238	174,258,759	18,529,074	–	192,787,833	412,752,405	299,829,093
Residential Building	79,050,892	–	–	79,050,892	16,184,679	1,287,861	–	17,472,540	61,578,352	62,866,213
Canal Lining	122,884	–	–	122,884	116,740	–	–	116,740	6,144	6,144
Plant and Machinery	3,358,746,807	123,762,295	–	3,482,509,102	2,097,624,539	110,625,015	–	2,208,249,554	1,274,259,548	1,261,122,265
Furniture, Fixtures and Office Equipment	64,428,072	9,067,460	–	73,495,532	39,853,703	3,132,150	–	42,985,853	30,509,679	24,574,372
Vehicles	18,844,019	–	633,960	18,210,059	13,331,845	1,465,263	606,826	14,190,281	4,019,778	5,512,174
TOTAL	4,004,566,489	264,668,520	633,960	4,268,601,049	2,348,410,779	135,425,741	606,826	2,483,229,693	1,785,371,356	165,615,711
Previous year as at 31.03.10	3,946,344,413	59,572,122	1,350,045	4,004,566,490	2,220,597,811	129,093,513	1,280,544	2,348,410,779	1,656,155,711	–

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE – 6 : INVESTMENTS		
LONG TERM INVESTMENTS : At Cost		
A. TRADE INVESTMENTS:		
Unquoted Equity Shares		
P.T. Gokak Indonesia	–	11,306,548
(C.Y. Nil : P.Y. 1375 Equity shares of USD 1000 each)		
B OTHER INVESTMENTS:		
Unquoted Equity Shares		
New India Co-operative Bank Ltd		
(5,000 equity shares of Rs 10 each)	50,002	50,002
	50,002	11,356,550
<i>Less: Provision for diminution in the value of Investments</i>	–	(11,305,548)
	50,002	51,002
SCHEDULE –7 : INVENTORIES		
(At lower of cost and net realisable value)[Refer Schedule 18 Note 6)		
(i) Stores and Spares Parts	59,711,616	61,258,642
(ii) Raw Materials	230,811,082	301,819,827
(including goods in transit Rs.29,90,012 ; Previous year Rs.1,11,07,635)		
(iii) Stock-in-Process	168,508,250	132,812,981
(iv) Finished Goods		
(including goods in transit Rs.Nil ; Previous year Rs.97,07,079)	632,390,432	366,487,971
	1,091,421,380	862,379,421
SCHEDULE – 8 : SUNDRY DEBTORS		
(i) Debts Outstanding for a period exceeding six months:		
(a) Unsecured, Considered Good	48,859,856	21,271,032
(b) Considered Doubtful	82,401,841	70,686,200
	131,261,697	91,957,232
(ii) Other Debts:		
(a) Unsecured, Considered Good	357,656,150	239,108,137
<i>Less: Provision for Doubtful Debts</i>	82,401,841	70,686,200
	406,516,006	260,379,169
SCHEDULE –9 : CASH AND BANK BALANCES		
(i) Cash on hand	543,441	542,145
(ii) Balances with Scheduled Banks		
on Current Accounts	7,239,681	19,284,579
on Deposit Accounts	4,750,268	1,128,558
on Margin Accounts	1,099,189	–
	13,632,579	20,955,282

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
SCHEDULE – 10 : LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received:		
Secured	1,058,550	767,865
Unsecured, Considered Good	224,160,044	239,955,493
Considered Doubtful	197,696	197,696
	<u>225,416,290</u>	<u>240,921,054</u>
<i>Less: Provision for Doubtful Advances</i>	<u>197,696</u>	<u>197,696</u>
	<u>225,218,594</u>	<u>240,723,358</u>
Taxes paid less provision (other than deferred tax)	3,646,794	914,855
Balances with Central Excise, Customs and Port Trust	97,598,403	97,582,481
	<u>326,463,791</u>	<u>339,220,694</u>
SCHEDULE – 11 : CURRENT LIABILITIES		
Acceptances	151,220,948	208,911,872
Sundry Creditors (Refer note 5 of Schedule 19)	468,337,757	271,690,774
Customers’/Security Deposits, and advances from customers	88,835,038	49,635,506
Other Liabilities	121,106,174	118,137,012
Interest accrued but not due on loans	8,363,654	7,224,391
	<u>837,863,571</u>	<u>655,599,555</u>
 (There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.)		
SCHEDULE – 12 : PROVISIONS		
Employee Benefits	20,795,873	17,385,614
	<u>20,795,873</u>	<u>17,385,614</u>

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	For the year ended 31st March, 2011 Rupees	For the year ended 31st March, 2010 Rupees
SCHEDULE – 13: OTHER INCOME		
Sale of Additional Licences	(1,924,479)	44,692,124
Duty Drawback on Export	15,257,344	19,045,802
Other Income	15,750,525	17,377,116
Reversal of Provision for Diminution in Investments (Refer Schedule 19 Note 17 (c))	11,305,548	–
Profit on sale of fixed assets (net)	93,866	165,789
	<u>40,482,804</u>	<u>81,280,831</u>
SCHEDULE – 14: MATERIAL CONSUMED AND PURCHASE OF GOODS		
Raw Materials Consumed:		
Opening Stock	301,819,827	222,535,730
Add: Purchases	2,528,727,562	1,812,076,006
Less: Closing Stock	230,811,082	301,819,827
	<u>2,599,736,307</u>	<u>1,732,791,909</u>
Purchases of Trading Stocks	13,961,610	27,414,674
	<u>2,613,697,917</u>	<u>1,760,206,583</u>
SCHEDULE – 15: MANUFACTURING AND OTHER EXPENSES		
Stores and Spares Consumed	114,835,718	95,890,301
Processing Charges	20,261,991	11,013,749
Power and Fuel	332,697,575	353,388,988
Payments to and provisions for Employees:		
Salaries, Wages, Bonus and Commission	371,728,260	313,275,887
Contribution to Provident Fund and Other Funds	57,576,530	40,572,511
Staff Welfare Expenses	49,483,150	37,324,221
Voluntary Retirement Compensation Amortised	–	13,066,113
	<u>478,787,940</u>	<u>404,238,732</u>
Commission to Dealers	31,789,482	31,881,996
Brokerage and Discount	15,371,449	15,457,798
Freight and Forwarding charges	72,665,841	70,316,255
Repairs to:		
– Plant and Machinery	28,352,505	33,036,246
– Buildings	4,544,159	3,534,559
– Others	46,407,270	32,406,592
	<u>79,303,934</u>	<u>68,977,397</u>
Rent	12,647,650	12,375,165
Rates and taxes	6,422,055	6,873,840
Insurance	7,185,563	3,925,021
Stamps, Telegrams, Stationery, Printing and Telephones	8,626,736	8,557,556
Legal and Professional Charges (Refer Note 21 of schedule 19)	13,269,962	11,950,701
Provision for Doubtful Debts	11,715,642	958,020
Miscellaneous Charges	63,659,347	45,323,846
	<u>1,269,240,885</u>	<u>1,141,129,365</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

	For the year ended 31st March, 2011 Rupees	For the year ended 31st March, 2010 Rupees
SCHEDULE – 16: INVENTORY CHANGE		
Opening Stocks		
Stock-in-Process	132,812,981	98,443,857
Finished Goods	366,487,971	431,991,078
	499,300,952	530,434,935
<i>Less:</i> Closing Stocks		
Stock-in-Process	168,508,250	132,812,981
Finished Goods	632,390,432	366,487,971
	800,898,682	499,300,952
 (Increase)/Decrease in Inventory	 (301,597,730)	 31,133,983
SCHEDULE – 17: INTEREST AND FINANCIAL CHARGES (NET)		
Interest on fixed loans (Gross)	87,884,647	81,385,625
Other interest	126,078,636	125,571,248
Bank Charges /Finance Expenses	32,339,336	45,737,071
	246,302,619	252,693,944
<i>Less:</i> Interest received from customers	540,652	1,146,183
	245,761,967	251,547,761

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

SCHEDULE – 18: SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The financial statements are prepared under the historical cost convention using the accrual method of accounting, in accordance with generally accepted accounting principles in India, the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956

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 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 upto the stage of completion.
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.

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.

14. Taxation :

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

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2011

SCHEDULE – 19: 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. As per the scheme of arrangement under the Companies Act, 1956 the Textile Division of erstwhile Forbes Gokak Limited (now known as Forbes & Company Limited) was transferred to Gokak Textiles Limited with effect from April 1, 2007. The company is in the business of textile, manufacturing cotton yarn, blended yarn, industrial fabrics, terry towels, t-shirts, polos, undergarments, sweaters, etc
2. Contingent Liabilities not provided for:

Sr. No.	Particulars	Current Year Rs.	Previous Year Rs.
(A)	Bills discounted	39,154,395	124,123,870
(B)	Guarantees issued by bank	405,100	905,100
	Corporate Guarantee to Export Import Bank of India (on behalf of P.T.Gokak Indonesia) \$ 31,00,000	–	141,329,000
	Corporate Guarantee to Other	129,472	129,472
(C)	Taxes in dispute :-		
	Entry Tax/Special Entry tax	14,458,194	14,458,194
	Income tax matters	300,912	300,912
	Excise Demands	116,916,657	105,879,080
(D)	Labour Matters in Dispute	1,388,148	1,254,070
(E)	Bonds given by Company in favour of Customs Authorities	438,121,857	478,320,561
(F)	Other Demands Contested by the Company		
	Creditors Claim	71,471	71,471
	Electricity Duty	955,893	1,037,149

3. Estimated amount of contracts remaining to be executed on capital account and not provided Rs.4,302,584 (net of Advances Rs.2,631,654); [Previous Year Rs. 13,347,453 (net of advances Rs. 91,951,921)]
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 of compiling and assimilating the relevant information from its suppliers about their coverage under the Act. Since the relevant information is not readily available, no disclosures have been made in the Accounts.
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. 8,176,006 (Previous Year Rs. 6,966,804)
6. The amount of exchange differences included in the Profit and Loss Account is a Net Expenses of Rs. 2,778,264/- (Previous year Net Income of Rs.4,785,230/-).
7. Earnings in foreign exchange for

	Current Year Rs.	Previous Year Rs.
Export of goods calculated on F.O.B. basis	7,499,11,772	8,325,21,540
Freight and insurance recoveries	168,26,619	136,89,348
	7,667,38,391	8,462,10,888

The above excludes exports to Nepal Rs. 6,803,749 (Previous Year Rs. 10,019,554), 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 :

	Current Year Rs.	Previous Year Rs.
(a) Raw Materials	16,730,391	16,872,547
(b) Stores, Spares and Tools	14,436,532	20,116,594
(c) Capital Goods	1,532,493	30,381,767
	<u>32,699,416</u>	<u>67,370,908</u>

10. Expenditure in foreign currency:

	Current Year Rs.	Previous Year Rs.
(a) Commission to Overseas Agents	8,356,790	7,251,410
(b) Interest	6,368,456	10,307,018
(c) Others	2,124,046	2,381,004
	<u>16,849,292</u>	<u>19,939,432</u>

11. 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	22,057,409	21.00%	23,019,105	24.01%
(ii) Others	82,969,684	79.00%	72,871,196	75.99%
Total	105,027,093	100.00%	95,890,301	100.00%

12. 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	62,229,503	USD 1,414,628	25,809,383	USD 580,900
	18,337,622	Euro 295,054	3,351,604	Euro 56,577
Amounts payable in foreign currency				
Foreign Currency Loan	60,826,789	USD 1,333,336	60,786,789	USD 1,333,336

13. There are no outstanding Forward Exchange Contracts entered into by the Company as on March 31, 2011. The Company has not entered into Interest Rate Swaps and Currency Swaps as at the year end March 31, 2011.

14. 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	20,406	19,003	M.T.
2.	Blended Yarn	SPINDLE			260	554	M.T.
3.	Cotton Canvas	LOOMS	60	24	2,010,460	2,522,738	MTRS.
4.	Terry Towel	LOOMS		4	107,830	79,232	PCS.
5.	Knitted Garments	PCS.	6,000,000	4,256,000	2,852,633	2,473,020	

NOTES:

1. Installed capacity has been certified by the Management.
2. Actual production of yarn excludes internal consumption of 482.50 M.T. (Previous Year 671.50 M.T.)

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15. 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
2	Trading (Cotton)	M.T.	112	13,939,388	119	14,848,013
3	Textile Goods		–	6,883,721	–	1,185,610
	Total			20,823,109		27,414,674

16. Segment:

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

17. 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.

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

Sr. No.	Name	Nature of Transactions					Balance Outstanding		
		Sales of goods	Sale of Investment	Expenses paid	Interest received	Interest paid	Remuneration	Receivable	Payable
1.	Forbes & Company Limited	–	–	2,967,105 (3,379,027)	–	–	–	–	510,172 (776,938)
2.	Volkart Fleming Shipping & Services Ltd.	–	–	–	–	–	–	–	1,000,000 (1,000,000)
3.	Eureka Forbes Ltd.	–	–	62,875 (9,490)	–	–	–	–	38,160 (42,350)
4.	Shapoorji Pallonji & Co. Ltd.	251,721 (1,255,007)	84,658,750 –	–	–	–	–	576,821 (1,435,422)	– –
5.	Forbes Technosys Ltd.	–	–	–	–	–	–	89,761 (89,761)	– –
6.	Forval International Services Ltd	–	–	2,110,301 (1,758,324)	–	–	–	–	28,710 (84,064)
7.	Key management personnel	–	–	–	–	–	5,230,992 (4,768,463)	–	1,200,000 (1,200,000)
	Total	251,721 (1,264,497)	84,658,750 –	5,140,281 (5,137,351)	– (612,266)	– (22,410)	5,230,992 (4,768,463)	666,582 (1,525,183)	2,777,042 (3,103,352)

No amounts have been written off during the year.

Note: Figures in bracket indicate previous year amounts.

- c The Company sold its investment in equity shares of P.T. Gokak Indonesia, where it held 22% stake, to Shapoorji Pallonji & Company Limited (the Ultimate Holding Company) for an amount of US\$ 1,801,250/- which is agreed to be equivalent to INR 84,658,750/-.

18. Earning Per Share:

	Current Year Rs.	Previous Year Rs.
a Calculation of weighted average number of equity shares		
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 Profit/ (Loss) after tax available for equity shareholders	93,729,997	(39,939,114)
c Basic and diluted earnings per share of Rs 10 each	14.42	(6.15)

19. Deferred Tax:

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

	Current Year Rs.	Previous Year Rs.
Deferred Tax Assets		
Provision for Gratuity	1,409,549	1,201,511
Provision for Doubtful debts	26,735,277	23,481,956
Provision for Leave Encashment	5,201,403	4,573,990
	<u>33,346,229</u>	<u>29,257,457</u>
Deferred Tax Liability		
Depreciation (Net of Unabsorbed Depreciation)	90,518,220	87,840,973
Net Deferred Tax Liability	<u>57,171,991</u>	<u>58,583,516</u>

For the year ended March 31st, 2011 in compliance with the Accounting Standard 22 the Deffered Tax Asset on only post demerger unabsorbed depreciation has been recognised to the extent of Deffered Tax Liability on account of depreciation.

20. Directors' Remuneration:

	Current Year Rs.	Previous Year Rs.
Salary and Allowance	2,886,344	2,362,248
Benefits and perquisites	712,756	849,815
Bonus / Commission	1,200,000	1,200,000
Pension contribution to PF & Superannuation Fund	431,892	356,400
Total	<u>5,230,992</u>	<u>4,768,463</u>

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

21. 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.350,000 previous year Rs. 259,000)	1,950,000	1,159,000
Taxation matters	300,000	120,000
Certification	600,000	600,000
Reimbursement of Expenses (Including branch auditor Current year Rs. 33,608 previous year Rs. 29,587)	267,432	115,672
	<u>3,117,432</u>	<u>1,994,672</u>

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22. Employee Benefits:

Defined Contribution Plan:

The company offers its employees defined contribution plan in the form of provident fund and superannuation fund. Provident fund covers substantially all regular employees whereas the superannuation fund covers only certain Managers, Supervisors and Clericals. The Company has contributed a total amount of Rs.45,028,287/- (Previous Year Rs. 32,188,455/-) towards said funds during the current year.

Defined Contribution Plan:

a. Change in present value of obligation:	Current Year Rs.	Previous Year Rs.
Opening balance as at 1st April, 2010	119,135,586	122,313,347
Benefits earned during the year	9,530,297	9,610,935
Current Service Cost	8,405,857	9,172,384
Interest Expenses	289,346	443,039
Paid Benefits	(11,917,017)	(11,622,124)
Actuarial (gain) / loss on obligations	4,239,636	(10,781,995)
Closing balance as at 31st March, 2011	129,683,705	119,135,586
 b. Change in plan assets		
Opening balance as at 1st April, 2010	114,384,440	117,445,742
Expected return on scheme assets	9,150,755	9,194,245
Contributions by the company	671,868	3,586,774
Paid Funds	(11,917,017)	(11,622,124)
Actuarial gain / (Loss)	1,782,505	(4,220,197)
Fair value of Plan assets as at end of year	114,072,551	114,384,440
 c. The amounts recognized in Balance Sheet are as follows:		
Present Value of Commitments	129,683,705	119,135,586
Fair Value of Plan Assets	114,072,551	114,384,440
Net Liability Recognised in Balance Sheet	15,611,154	4,751,146
 d. The amounts recognized in Profit and Loss Account are as follows:		
Current Service Cost	8,405,857	9,172,384
Interest expense	9,819,643	10,053,974
Expected return on Plan Assets	(9,150,755)	(9,194,245)
Net Actuarial (gain)/Loss	2,457,131	(6,561,798)
Net periodic cost	11,531,876	3,470,315
 e. Return on plan assets		
Expected return on plan assets	9,150,755	9,194,245
Actuarial gain / (Loss)	1,782,505	(4,220,197)
Actual return on plan assets	10,933,260	4,974,048
 f. Actuarial Assumption		
i) Discount Rate	8.25%	8.00%
ii) Expected Rate of return on assets	8.00%	8.00%
iii) Salary Escalation rate	4.00%	4.00%
iv) Attrition rate	2.00%	2.00%
v) Mortality	LIC 1994-96	LIC 1994-96
	Ultimate	Ultimate

23. In accordance with the Accounting Standard (AS-28 on impairment of assets, the Company has assessed as on the balance sheet date, whether there are any indications (listed in paragraphs 8 to 10 of the standard) with regards to the impairment of any assets. Based on such assessment it has been ascertained that no potential loss is present and therefore, formal estimate of recoverable amount has not been made. Accordingly, no impairment loss has been provided in the books of accounts.

24. In accordance with Accounting Standard 16 - Borrowing Costs; the Company has capitalised a total amount of Rs. 4,250,489/- during the year (Previous Year Rs.12,593,810/-) under Fixed Assets; towards borrowing costs of the Monsoon Spillway Project.

25. Interest on Fixed Loans amounting to Rs. 87,884,647/- (Previous Year Rs. 81,385,625/-) are net off Interest Subsidy amounting to Rs. 38,305,057/- (Previous Year Rs.47,282,853/-).

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 style="width: 100%;" type="text" value="L17116KA2006PLC038839"/>		<input style="width: 100%;" type="text" value="08"/>
Balance Sheet Date	<input style="width: 20%;" type="text" value="31"/> <input style="width: 20%;" type="text" value="03"/> <input style="width: 20%;" type="text" value="2011"/>	
	Date Month Year	

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

Public Issue	<input style="width: 100%;" type="text" value="Nil"/>	Rights Issue	<input style="width: 100%;" type="text" value="Nil"/>
Bonus Issue	<input style="width: 100%;" type="text" value="Nil"/>	Private Placement	<input style="width: 100%;" type="text" value="Nil"/>

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

Total Liabilities	<input style="width: 100%;" type="text" value="2,777,616"/>	Total Assets	<input style="width: 100%;" type="text" value="2,777,616"/>
Sources of Funds		Application of Funds	
Paid up Capital	<input style="width: 100%;" type="text" value="64,993"/>	Net Fixed Assets	<input style="width: 100%;" type="text" value="1,798,192"/>
Reserves and Surplus	<input style="width: 100%;" type="text" value="585,850"/>	Investments	<input style="width: 100%;" type="text" value="50"/>
Secured Loan	<input style="width: 100%;" type="text" value="2,067,220"/>	Current Assets	<input style="width: 100%;" type="text" value="979,374"/>
Unsecured Loan	<input style="width: 100%;" type="text" value="2,381"/>	Miscellaneous	
		Expenditure	<input style="width: 100%;" type="text" value="Nil"/>
Deferred Government Grant	<input style="width: 100%;" type="text" value="–"/>		
Deferred Tax Liability (Net)	<input style="width: 100%;" type="text" value="57,172"/>		

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

Turnover	<input style="width: 100%;" type="text" value="4,054,847"/>
Total Expenditure	<input style="width: 100%;" type="text" value="3,962,529"/>
Profit / Loss before tax	<input style="width: 100%;" type="text" value="92,318"/>
Profit / Loss after tax	<input style="width: 100%;" type="text" value="93,730"/>
Earning per share in Rs.	<input style="width: 100%;" type="text" value="14.42"/>
Dividend Rate %	<input style="width: 100%;" type="text" value="–"/>

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

Item Code No. (ITC Code)	<input style="width: 100%;" type="text" value="5205110"/>
Product Description	<input style="width: 100%;" type="text" value="Cotton Yarn"/>
Item Code No. (ITC Code)	<input style="width: 100%;" type="text" value="52091250"/>
Product Description	<input style="width: 100%;" type="text" value="Cotton Canvas"/>
Item Code No. (ITC Code)	<input style="width: 100%;" type="text" value="61091000"/>
Product Description	<input style="width: 100%;" type="text" value="Knitted Garments"/>

H. S. BHASKAR
ASHOK BARAT
C. G. SHAH
PRADIP N. KAPADIA

Executive Director & CEO

Directors

R. N. JHA
KAIWAN KALYANIWALLA
SANJAY SARKAR

Directors

S. RAGHUNATHAN

Chief Financial Officer

K. RAMANANDA PAI

Company Secretary

Mumbai, 26th May, 2011



Registered Office : 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560 025.
5th ANNUAL GENERAL MEETING ON THURSDAY, THE 25th AUGUST, 2011 AT 3.00 P.M.
VENUE : Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

ATTENDANCE SLIP

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

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

* DP ID No.

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

- (1) Shareholder/Proxy holder must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
 - (2) Shareholders are requested to advice change in their address, if any, to the Company's Registrar and Share Transfer Agents, TSR Darshaw Ltd. Unit : Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. The information should be signed by all the shareholders registered under the Ledger Folio.
- *Applicable for Shareholder's holding shares in electronic form.



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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 5th Annual General Meeting of the Company to be held on Thursday, the 25th August, 2011 and at any adjournment thereof.

Signed this day of2011.

FOR OFFICE USE ONLY

PROXY No. :

REGD. FOLIO :

No. OF SHARES :

* DP ID No.

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

Please Affix
Re.1
Revenue
Stamp

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

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





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Gopalkrishna Complex,
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Bangalore – 560 025