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GOKAKTM
TEXTILES LIMITED

7th
Annual
Report
2012 - 2013



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DIRECTORS	: SHAPOOR P. MISTRY H.S.BHASKAR ASHOK BARAT C. G. SHAH PRADIP N. KAPADIA R.N.JHA KAIWAN KALYANIWALLA RIMA MARPHATIA (Nominee Director, Export Import Bank of India) VASANT N. SANZGIRI D. G. PRASAD	– <i>Chairman</i> – <i>Executive Director & CEO</i>
GENERALMANAGER-FINANCE	: GOVINDA R. KADEKAR	
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 PRIVATE. LIMITED UNIT: GOKAK TEXTILES LIMITED, 6-10, HAJI MOOSA PATRAWALA INDUSTRIAL ESTATE, 20, DR.E.MOSES ROAD, MAHALAXMI, MUMBAI 400 011	
BRANCH	: TSR DARASHAW PRIVATE 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	
REGISTERED OFFICE & CORPORATE OFFICE	: No. 24, 29TH MAIN BTMLAYOUT II STAGE BANGALORE - 560 076.	

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Annual General Meeting will be held on Tuesday, the 24th December, 2013 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 7th ANNUAL GENERAL MEETING of the Members of GOKAK TEXTILES LIMITED, will be held on Tuesday, the 24th December, 2013 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 30th September, 2013 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. Pradip N. Kapadia who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. C.G. Shah who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Kaiwan Kalyaniwalla who retires by rotation and is eligible for re-appointment.
5. To appoint Messrs. Kalyaniwalla & Mistry, Chartered Accountants (Registration No. 104607W), as Auditors and to authorise the Board of Directors to fix their remuneration.
6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956 and corresponding Section 143 and other applicable provisions, if any, of the Companies Act, 2013, Messrs. Muruges & Co., Chartered Accountants, Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company’s Forbes Campbell Knitwear Division situate at Marihal, Belgaum and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company, in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting the audit”.

Special Business :

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

“RESOLVED that, pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto as amended and corresponding Section 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V thereto as amended (including any statutory modification(s) or re-enactment thereof, for the time being in force), approval of the Members of the Company be and is hereby accorded for the re-appointment of Mr. H.S. Bhaskar, Executive Director & Chief Executive Officer of the Company as Whole time Director of the Company for a period of 3 years, with effect from 31.07.2013 to 30.07.2016 (both days inclusive) on the remuneration and upon the terms and conditions including minimum remuneration payable to him in case of inadequacy of profits in any year as set out in the draft of the Agreement to be entered into between the Company and Mr. H.S. Bhaskar placed before this Meeting and initialed by the Chairman for the purpose of identification. Notwithstanding the period of appointment or any clause of the Agreement between the Company and Mr. H.S. Bhaskar, his appointment as the Whole time Director shall be subject to the retirement policy of the Company for the time being”.

“FURTHER RESOLVED that the Board of Directors (hereinafter referred to as “Board” which term shall be deemed to include Nomination and Remuneration Committee to exercise its powers including powers conferred by this resolution) of the Company be and is hereby authorised to vary, increase, expand, enhance, enlarge, widen or alter the scope of the remuneration and perquisites, including the monetary value thereof, from time to time as it may, in its discretion, deem fit, subject to other approvals as may be required, within the intention being that no further consent of the Members of the Company will be required as long as remuneration of the Whole time Director is not in excess of the maximum permissible under relevant law, rules, regulations, guidelines or instructions as may be promulgated or issued after the date of this Meeting”.

“FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorized to take such steps and do all other acts, deeds, things and matters as in its absolute discretion it may consider necessary, expedient or desirable to give effect to this resolution”.

8. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

“RESOLVED that, pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956 and corresponding Section 197 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof, for the time being in force), and subject to other approvals as may be required, the consent of the Members of the Company be and is hereby accorded :-

- (a) So long as the Company has a Managing Director or Wholetime Director, to the payment and distribution of such sum by way of commission, not exceeding in aggregate, 1% per annum, of the net profits of the Company, computed in the manner referred to in Section 198, 349 and 350 and other applicable provisions of the Companies Act, 1956 and corresponding Section 197, 198 and other applicable provisions of the Companies Act, 2013, for each of the five financial years of the Company, commencing from 1st October, 2013 or such other date as may be decided by the Board, be paid to and distributed amongst such Directors of the Company (other than Managing Director or Whole time Directors of Manager), as may be determined by the Board, the quantum, proportion and manner of such payment and distribution to be made, as determined by the Board of Directors from time to time”.
- (b) So long as the Company does not have a Managing Director or Wholetime Director, to the payment and distribution of such sum by way of commission, not exceeding in aggregate, 3% per annum, of the net profits of the Company, computed in the manner referred to in Section 198, 349 and 350 and other applicable provisions of the Companies Act, 1956 and corresponding Section 197, 198 and other applicable provisions of the Companies Act, 2013, for each of the five financial years of the Company, commencing from 1st October, 2013 or such other date as may be decided by the Board, be paid to and distributed amongst such Directors of the Company as may be determined by the Board, the quantum, proportion and manner of such payment and distribution to be made, as determined by the Board of Directors from time to time”.

“FURTHER RESOLVED that the Board of Directors of the company be and are hereby authorized to take such steps and do all other acts, deeds, things and matters as in its absolute discretion it may consider necessary, expedient or desirable to give effect to this resolution.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
7th November, 2013.

Registered Office :
No.24, 29th Main
BTM Layout II Stage
Bangalore – 560 076.

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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 102 of the Companies Act, 2013 relating to the Special Business to be transacted in respect of Item no.7 and 8 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 17th December, 2013 to Tuesday, the 24th December, 2013 (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 01.10.2012 to 30.09.2013 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 : 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. As a measure of support to the "Green Initiative in Corporate Governance" allowing paperless compliances by Companies in serving of notice / documents to its Members through electronic mode initiated by the Ministry of Corporate Affairs ("MCA"), Government of India, your Company has been sending the Annual Reports containing the Notice, Directors Reports, Audited Financial Statements, Auditors Report, Report on Corporate Governance etc., to the e-mail IDs registered by you with your Depository Participant or registered with the Registrar & Transfer Agent in case of holding of Shares in physical form. We are confident that you would appreciate the "Green Initiative" taken by MCA and co-operate in helping the Company to implement the e-governance initiatives of the Government. The Members who have not yet registered their e-mail address are requested to register their e-mail address with their respective Depository Participant so as to ensure that the annual report and other documents reach them on their preferred e-mail ID. Members holding Shares in physical mode are requested to update/register their e-mail address with tsrdlbg@tsrdarashaw.com, or ramanandapai@gokaktextiles.com so as to ensure that the annual report and other documents reach them on their preferred e-mail ID.
9. Please address all communications including lodging of Transfer Deeds to :

REGISTRARS AND SHARE TRANSFER AGENTS

TSR Darashaw Pvt. 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

- | | |
|---|---|
| 1. TSR Darashaw Pvt. Ltd.,
503, Barton Centre, 5th floor,
84, Mahatma Gandhi Road,
Bangalore 560 001
Tel.:080-25320321 Fax:080-25580019
e-mail:tsrdlbg@tsrdarashaw.com | 3. TSR Darashaw Pvt. Ltd.,
Bungalow No.1, "E" Road,
Northern Town, Bistupur,
Jamshedpur 831 001
Tel.:0657-2426616 Fax:0657-2426937
e-mail:tsrdljsr@tsrdarashaw.com |
| 2. TSR Darashaw Pvt. Ltd.,
Tata Cente, 1st floor,
43, Jawaharlal Nehru Road,
Kolkata 700 071
Tel.:033-22883087 Fax:033-22883062
e-mail:tsrdlcal@tsrdarashaw.com | 4. TSR Darashaw Pvt. Ltd.,
Plot No.2/42, Sant Vihar,
Ansari Road, Daryaganj,
New Delhi 110 002
Tel.:011-23271805 Fax:011-23271802
e-mail:tsrdldel@tsrdarashaw.com |

Agent

Shah Consultancy Services Ltd.
#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
No.24, 29th Main, BTM Layout II Stage, Bangalore – 560 076
Telephone: 080 26685094 Fax : 080 26689604 e-mail. ramanandapai@gokaktextiles.com
Kindly quote your Ledger Folio No./ Client ID No.

ANNEXURE TO THE NOTICE

1. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013.

In respect of Item No. 7 :

As the Members are aware, Mr. H.S.Bhaskar, Executive Director & Chief Executive Officer was re-appointed as Whole time Director of the Company for a period of 3 years with effect from 31.07.2010 by the Members at the 4th Annual General Meeting held on 3rd September, 2010. The term of office of Whole time Director, designated as Executive Director & Chief Executive Officer of the Company expired on 30.07.2013.

The Board of Directors of the Company (“the Board”) at their Meeting held on 10th May, 2013 has, subject to the approval of the Members, re-appointed Mr.H.S.Bhaskar, Executive Director and Chief Executive Officer as Whole time Director of the Company for a further period of 3 years with effect from 31.07.2013 to 30.07.2016 at the remuneration determined by the Nomination and Remuneration Committee of the Board at their Meeting held on 10th May, 2013 and upon the terms and conditions as set out in the draft Agreement placed before the Meeting and initialed by the Chairman for the purpose of identification and subject to the consent of the Members and other approvals as may be required.

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

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

Mr.H.S.Bhaskar, Executive Director & Chief Executive Director is hereby re-appointed as Whole time Director for a period of 3 years with effect from 31.07.2013 to 30.07.2016 on the remuneration and upon the terms and conditions and minimum remuneration payable to him.

1. SALARY :

Salary Rs.1,83,300 p.m. (in the scale of Rs.1,50,000/-to Rs.2,50,000/-) with effect from 31st July, 2013. The annual increment which will be effective from 1st October or such other date, each year, will be decided by the Board and will be merit based and take into account the Company’s performance. In the event no commission on net profit is paid for any year as remuneration, an additional salary may be paid as may be decided by the Board of Directors of the Company, provided the same is within the foregoing range and provided the same is within the range stipulated by the Central Government for minimum remuneration.

2. PERQUISITES AND ALLOWANCES :

- (a) In addition to the salary and commission / additional salary payable, the Appointee shall be entitled to perquisites and allowances like Company provided accommodation/house rent allowance; house maintenance allowance; reimbursement of expenses or allowances for utilities such as gas, electricity, water, soft furnishing, hard furnishing and repairs; helper allowance; medical reimbursement or allowance; leave travel concession/assistance for himself and his family; club fees; medical insurance, housing loan at a concessional rate and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the Appointee, the value of which shall not in the aggregate exceed 125% of the annual salary. It is clarified that the Income Tax requisite value of housing and concessional housing loan forms a part of this limit.
- (b) For the purposes of calculating the above ceiling, perquisites and allowances shall be evaluated as per present Income-tax Rules, wherever applicable; in the absence of any such rules, perquisites and allowances shall be evaluated at actual cost. Provision for use of the Company’s car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- (c) Company’s contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income-tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

3. COMMISSION / INCENTIVE :

Such remuneration by way of commission / incentive, in addition to the above salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by Nomination and Remuneration Committee of the Board of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956 and corresponding Section 197, 198 and other applicable provisions of the Companies Act, 1956 and 2013. The specific amounts payable to the Appointee, not exceeding four years’ of his annual salary, will be based on certain performance criteria to be laid down by the Board and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the shareholders.

4. MINIMUM REMUNERATION :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above and the commission to be paid shall be subject to a maximum as permitted, under Section 198 read with Section 309 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII thereto and corresponding Section

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197, 198 and other applicable provisions of the Companies Act, 2013 and Schedule V thereto and the requisite approval of the Central Government, if any, required for the purpose.

Further, the above remuneration and perquisites are exclusive of :

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

2. GENERAL :

- (i) Service Contract is for 3 years with effect from 31.07.2013 subject to retirement policy of the Company
- (ii) Mr. H.S.Bhaskar shall not be liable to retirement by rotation in accordance with Section 256 of the Companies Act, 1956 and corresponding Section 152 of the Companies Act, 2013 and Article 156 of the Articles of Association of the Company.
- (iii) The office of the Whole time Director may be terminated by the Company by giving the other 6 (Six) months notice in writing or salary in lieu of notice.
- (iv) Agreement entered into between the Company and Mr.H.S.Bhaskar is available for inspection at the registered office of the Company during office hours from 10.00 a.m. to 5.00 p.m. on any working day up to the date of the Annual General Meeting.
- (v) A brief resume of Mr.H.S.Bhaskar nature of his expertise in specific functional areas etc., are provided as an Annexure to this Notice and in the Report on Corporate Governance. He is holding directorship in Gokak Power & Energy Ltd., subsidiary Company and not holding membership / chairmanship of Board Committees in any Public Limited Companies and he is not related to any directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange.
- (vi) Mr. H.S.Bhaskar is holding 10 equity Shares in the Company in his personal capacity.
- (vii) The above may be treated as an abstract of terms and conditions of re-appointment of Mr.H.S.Bhaskar pursuant to Section 302 of the Companies Act, 1956.
- (viii) Statement containing the information required to be furnished pursuant to paragraph 1 (B) (iv) of Section II in Part II of Schedule XIII to the Companies Act, 1956 and corresponding Schedule V to the Companies Act, 2013 is appended to the Notice of this Meeting.

None of the director, key managerial personnel and their relatives, other than Mr.H.S.Bhaskar is in any way concerned or interested, financial or otherwise in the aforesaid resolutions.

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

In respect of Item No.8

The Members are requested to confer on the Board an authority to pay and distribute commission at the rate of 1% of the net profits of the Company in terms of Section 309(4) of the Companies Act, 1956 corresponding Section 197, 198 and other applicable provisions, if any, of the Companies Act, 2013 so long as the Company has a Managing Director or Wholetime Director(s) for each of the five financial years of the Company commencing from 1st October or such other date as may be decided by the Board, amongst such Directors of the Company (but excluding the Managing Director and Wholetime Director(s) as may be determined by the Board, the quantum, the proportion and manner of such payment and distribution to be made as the Board may from time to time decide.

The second part of the special resolution relates to a situation that a Company may, during the aforesaid period of five years commencing from 1st October, 2013 or such other date, cease to have a Managing Director or Wholetime Director(s). In such case, it is proposed to pay and distribute as such all the Directors of the Company for the then residual unexpired part of the said period of five years commission not exceeding aggregate 3% of the net profits of the Company computed in the manner laid down in the said Section 198 of the Companies Act, 1956 corresponding Section 197, 198 of the Companies Act, 2013, as may be determined by the Board, for the then residual unexpired part of the aforesaid period of five years; the quantum proportion and manner of such payment and distribution to be as the Board may from time to time decide.

All the Directors of the Company, except Mr.H.S.Bhaskar may be deemed to be interested in the special resolution at Item No.8 of the Notice to the extent of the commission that may be payable to them.

Mumbai
7th November, 2013.

Registered Office :
No.24, 29th Main
BTM Layout II Stage
Bangalore – 560 076.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Statement containing the information required to be furnished pursuant to paragraph 1 (B) (iv) of Section II in Part II of Schedule XIII to the Companies Act, 1956 corresponding Schedule V to the Companies Act, 2013 is given hereunder.

I. General Information

- (1) Nature of Industry Manufacture of Cotton Yarn and Knitwear
- (2) Date or expected date of commencement of commercial production. The Company was incorporated on 27th March, 2006 at Bangalore. Consequent upon the Scheme of Arrangement for the demerger of the Textiles Undertaking of Forbes Gokak Ltd (FGL) into GOKAK TEXTILES LIMITED approved by the High Court, Bombay and High of Karnataka at Bangalore, the Textile and the Knitwear business of the Textiles Undertaking of FGL was transferred to GOKAK TEXTILES LIMITED with effect from 1st April, 2007.
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. The Textiles Undertaking of Forbes Gokak Ltd was transferred to GOKAK TEXTILES LIMITED pursuant to the Scheme of Arrangement. The said Textiles Undertaking under Forbes Gokak Ltd is in commercial production since the year 1919.
- (4) Financial Performance based on given indicators.

		(Rupees)		
		Y.E31.03.2011 (12 months)	Y.E31.03.2012 (18months)	Y.E30.09.2013 (12months)
	Gross Income	4,054,847,252	4,842,212,801	3,595,301,586
	PBT	92,318,472	188,170,401	(129,183,673)
	Net Worth	650,843,690	845,663,904	700,504,037
	Dividend %	NIL	NIL	NIL

- (5) Export Performance and net foreign exchange earnings.

		(Rupees Crores)		
		Y.E31.03.2011	Y.E31.03.2012	Y.E31.03.2013
	Foreign Exchange Earning	76.67	39.72	42.74
	Less: Foreign Exchange Outgo	4.95	21.68	13.90
	Net Position	71.72	18.04	28.84

- (6) Foreign Investor or Collaborators, if any. There is no Foreign Direct Investment in the Company.

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

- (1) Background details Mr. H.S.Bhaskar, aged 57 years, is a Diploma holder in Textile Technology. Prior to his appointment on the Board of Directors of the Company on 31st July, 2007, he was the Director (Textiles) of Forbes Gokak Limited. He was with Forbes Gokak Limited for over 12 years.
- (2) Past Remuneration. Remuneration comprises monthly salary, perquisites, contribution towards retirement benefits and annual performance incentive, the details of which are -
- | | <u>Lakh Rs.</u> |
|-----------------------------|-----------------|
| Y.E. 31.03.2011 | 48.00 |
| Y.E. 31.03.2012 (18 months) | 72.00 |
| Y.E. 31.03.2013 | 48.00 |
- (3) Recognition or Awards. Mr. H.S.Bhaskar is a Member of CII, CITI, and various textile organizations.
- (4) Job profile and his suitability. He has operational and managerial experience of over 36 years in the Textile industry and has led teams of professional managers in India and abroad.
- (5) Remuneration proposed. Remuneration proposed includes –
- (a) A monthly salary in the salary range of Rs1,50,000/- to Rs.2,50,000/-.
 - (b) Housing, Vehicle, Medical and Leave Travel and other perquisites subject to a ceiling of 125% of the basic salary.
 - (c) Such commission/ incentive as may be approved by the Board of Directors of the Company having regard to the Net Profits of the Company and provisions of Section 198 and other applicable provisions of the Companies Act, 1956. Excluding Contribution to the Provident Fund, Superannuation Fund and Gratuity Fund, leave encashment as per the Rules of the Company.
- (6) Comparative remuneration profile with respect of industry, size of Company, profile of the position and person (in case of expatriates the relevant details would be with reference to the country of his origin) The proposed remuneration is in tune with the current remuneration packages of managerial personnel of Companies belonging to the similar industry. Further, it is commensurate with the qualification & experience and in accordance with the highly competitive business scenario requiring recognition and reward of performance & achievement for retention of best talent and motivation towards meeting the objectives of the Company.
- (7) Pecuniary relationship directly or indirectly with the Company or the relationship with the Managerial Personnel, if any. Only to the extent of his entitlement to the remuneration as a managerial personnel.

III. Other Information :

- (1) Reason of loss or inadequate profits Due to economic slow down in U.S.A and Europe and unprecedented decline in demand for exports in the textile industry and high cost of raw materials, power cost and labour costs, resulting in inadequate profits in the financial year 2012-13.
- (2) Steps taken or proposed to be taken for improvement. Management is taking necessary and adequate steps to improve the profitability of the Company.
- (3) Expected increase in production and profits in measurable terms A reasonable improvement is expected in the production and profits during the year 2013-2014.

Disclosure:

“The necessary disclosure required under provision (iv) of Part II, Section II(1)(B) to Schedule XIII to the Companies Act, 1956 and corresponding Schedule V of the Companies Act, 2013 have been reported in the Directors Report under the heading ‘Corporate Governance’ attached to the Annual Report of the Company”

Mumbai
7th November, 2013.

For and on behalf of the
Board of Directors

Registered Office :
No.24, 29th Main
BTM Layout II Stage
Bangalore – 560 076.

SHAPOOR P. MISTRY
Chairman

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 re-appointed at this Annual General Meeting, are furnished below :

Name of the Director	Mr. Pradip N. Kapadia	Mr. C.G.Shah
Date of Birth	30 th September, 1951	14 th February, 1943
Date of First Appointment	12 th September, 2008	9 th August, 2007
Qualification	B.A. LLB	B ' COM, F.C.A. D.M.A., F.C.S
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	Mr. Pradip N.Kapadia is a Solicitor and Advocate and Partner of the law firm Vigil Juris.He is Director of several Public Limited Companies. He has expertise in legal matters as an Advocate.	Mr.C.G.Shah has wide and varied experience in Corporate Management, Finance, Accounting and Taxation of over 44 years including reconstruction of Corporates, Amalgamation, Mergers and Demergers.
List of Public Limited Companies in which Directorship held as on 30th September, 2013	<u>PUBLIC COMPANIES</u> 1. Afcons Infrastructure Ltd., 2. Mafatlal Industries Ltd., 3. Navin Fluorine International Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Gokak Power & Energy Ltd.
Member of the Board Committees	1. <u>Audit Committee</u> (a) Mafatlal Industries Ltd., (b) Afcons Infrastructure Ltd., (c) Navin Fluorine International Ltd., 2. <u>Remuneration Committee</u> (a) Afcons Infrastructure Ltd., (b) Mafatlal Industries Ltd., 3. <u>Share Transfer & Shareholders Grievance Committee</u> (a) Afcons Infrastructure Ltd., (b) Navin Fluorine International Ltd., (c) Mafatlal Industries Ltd., 4. <u>Compensation(ESOP) Committee</u> Afcons Infrastructure Ltd.,	<u>Audit Committee</u> Gokak Power & Energy Ltd.,
No. of Shares held	Nil	7

Mumbai
7th November, 2013.

Registered Office :
No.24, 29th Main, BTM Layout II Stage,
Bangalore – 560 076.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Annual Report
2012 - 2013

3. 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 re-appointed at this Annual General Meeting, are furnished below :

Name of the Director	Mr. Kaiwan Kalyaniwalla	Mr. H.S.Bhaskar Whole time Director
Date of Birth	13 th August, 1964	20 th September, 1955
Date of First Appointment	24 th September, 2010	31 st July, 2007
Qualification	B.A. LLB	Diploma in Textile Technology
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	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.	Mr.H.S.Bhaskar has wide and varied experience over 33 years in Textile Industry in the operational and managerial cadres. He has led teams of professional managers in India and abroad.
List of Public Limited Companies in which Directorship held as on 30 th September, 2013	<u>PUBLIC COMPANIES</u> 1. Allcargo Logistics Ltd., 2. Hindustan Cargo Ltd., 3. Forbes & Company Ltd., 4. Gokak Power & Energy Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Gokak Power & Energy Ltd.,
Member of the Board Committees	1. <u>Audit Committee</u> (a) Allcargo Logistics Ltd., (b) Gokak Power & Energy Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> (a) Allcargo Logistics Ltd., (b) Forbes & Company Ltd., 3. <u>Remuneration Committee</u> (a) Allcargo Logistics Ltd., (b) Hindustan Cargo Ltd., (c) Gokak Textiles Ltd.,	NIL
No. of shares held	Nil	10

Mumbai
7th November, 2013.

Registered Office :
No.24, 29th Main, BTM Layout II Stage,
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For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

DIRECTORS' REPORT

To,
The Shareholders
Your Directors submit their Report and Audited Accounts of the Company for the financial year from 01.10.2012 to 30.09.2013 ended on 30th September, 2013. The previous year was of 18 months from 01.04.2011 to 30.09.2012. This aspect may be given due consideration while comparing figures.

1. FINANCIAL RESULTS:

The summarized financial results are set out below:

	(12 months) 1 st October 2012 to 30 th September 2013	(18 months) 1 st April 2011 to 31 st Sept. 2012
	(Rs. in Crores)	
(a) Gross Income	359.53	484.22
(b) <i>Less</i> : Costs	341.28	490.29
(c) Balance	18.25	(6.07)
(d) <i>Less</i> : Interest and Financial Charges (Net)	20.74	39.65
(e) Balance	(2.49)	45.72
(f) <i>Less</i> : Depreciation	10.43	20.49
(g) Loss after depreciation carried to Balance Sheet	(12.92)	(66.21)
(h) <i>Add</i> : Surplus on Slump Sale	0	94.06
(i) <i>Less</i> : Write-off of Fixed Assets	0	9.04
(j) Balance	(12.92)	18.81
(k) <i>Add</i> : Net Tax Credit	(1.60)	0.67
(l) Net Profit / loss for the year	(14.52)	19.48
(m) <i>Add</i> : Balance brought forward	6.47	(13.02)
(n) Balance carried to Balance Sheet	(8.05)	6.46

During the year under review, your Company has recorded gross income of Rs.359.53 Crores and the loss after tax of Rs.14.52 Crores for the year under review

2. SHARE CAPITAL & DIVIDEND:

The Paid up Share Capital of the Company continued to remain at Rs.6.50 Crores. With a view to preserve funds for the operations, no dividend for the year is proposed by the Board of Directors.

3. SUBSIDIARY COMPANY:

Your Company has formed a Subsidiary Company in the name and style of 'Gokak Power & Energy Limited' on 17th January, 2012 and obtained a Certificate of Commencement of Business on 26th March, 2012. The main object of the subsidiary Company is generation, transmission, distribution, trading of hydro power and other renewal and non-renewal sources of energy. The whole of the hydro power business of the Company was transferred to the above said Subsidiary Company by way of Slump sale on 20.09.2012 for a consideration of Rs.120 Crores and for which approval of the Shareholders has been obtained through postal ballot on 07.07.2012.

The financial information of the Subsidiary Company viz., Gokak Power & Energy Ltd. is set out in the statement pursuant to Section 212 of the Companies Act, 1956 forming

part of this Annual Report. The Audited Statements of Accounts along with the Report of Board of Directors of Gokak Power & Energy Ltd., together with the Auditors' Report for the financial year from 01.10.2012 to 30.09.2013 are appended.

While preparing Consolidated Financials Statements of the Company, financials of its Subsidiary company viz., Gokak Power & Energy Ltd., have been consolidated as per Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, which forms part of the Annual Report.

4. Knitwear Business :

The Members are aware that the Company is engaged, inter alia, in the Business of Knitwear (Apparels), the manufacturing unit of which is located at village Marihal, District Belgaum, Karnataka State. For the 12 months period ended 30th September, 2013, total sales of Knitwear was Rs.19.01 Crores i.e. 5.33% of total revenue from operations for that period. Results of this Business, in the recent years, have been negative and the Board of Directors of the Company, have come to a conclusion that from a long term perspective, it will be in the overall interest of the Company to exit and divest this Business.

It is therefore proposed to sell the Business. The sale/transfer, shall take place, on the basis of a best negotiated price, which will take into account, the past performance of the Business, the intrinsic value of the Business and its assets and the availability of a buyer.

Such sale/transfer will be done in total conformity with the provisions of all applicable laws and will be by the way of a Slump Sale of a going concern and on 'as is where is basis' and on such terms and conditions, as the Board of Directors may think proper and beneficial to the Company.

The Business to be transferred shall include the related Land and Building on which the Knitwear manufacturing plant is located, this plant, technical knowhow, licences and the benefits of all agreements, approvals and sanctions in relation to this Business as obtaining at the present. The Business to be transferred shall be the Business on the date of execution of the agreement between the parties.

Directors of the Company may be considered to be interested in the proposal to the extent of their respective shareholding in the Company.

The approval of the Members is sought vide Notice of Postal Ballot dated 16.10.2013 as required under the Section 192A of the Companies Act, 1956 and corresponding Section 110 of the Companies Act, 2013.

5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

5.1 Industry Structure and Developments:

5.1.1 The terrific growth of textile units both, in terms of number of units and installed capacity which was witnessed during the previous years, have remained almost stagnate or very marginal in terms of percentage. Overall number of mills was 3466 during the previous financial year and is at 3474 during the current financial year. Similarly spinning capacity has marginally grown from 43.31 million spindles to 44.17 million spindles with a growth of 2%. The rotor capacities for spinning open-end yarns have also remained stagnate at 795000 rotors.

- 5.1.2 With all the incentives provided by various State Governments and Central Government, it was expected that there will be a significant growth in number of composite mills and shuttleless looms. Whereas due to lack of confidence and other various factors, number of composite mills have remained stagnate at 198 for the current financial year when compared to 196 during the previous financial year. On similar lines, shuttleless looms within the country has marginally grown from 20.1 Thousand looms to 20.6 Thousand looms.
- 5.1.3 Many industry experts and Government agencies had projected a record production of cotton and had forecasted a production to be around 360 to 380 Lakh bales whereas overall cotton production in the country was lower at 340 Lakh bales when compared to 355 Lakh bales during the previous financial year. Similarly overall man-made fiber and filament production has remained stagnate and are marginally lower at 2635.62 Million Kgs. from 2697.17 Million Kgs. during the previous financial year. Even though, the cotton production was lower as compared to previous financial year, on the consumption side, the consumption of cotton has increased by 12% at 4459.72 Million Kgs for the current financial year. Except cotton fiber, all other fiber consumption has either come down or remained at previous year levels. On the production front, cotton yarn production has grown by around 14% at 35.64 Million Tons, compared to 31.62 Million Tons during the previous financial year.
- 5.1.4 Textile and clothing sector commenced the year with lot of worries due to receding global demand, but overall performance of textile and clothing sector was better as a result of the demand from domestic market. Even though in terms of Rupees, the export of textile and clothing grew by 6.95% during the current financial year, the growth was mainly due to depreciation of Rupee as overall exports in terms of Dollars have come down by 2000 Million Dollars i.e around 6%. The export of textile and clothing sector including Silk, Jute, Coir and Handicrafts is at 32500 Million US Dollars for the current financial year. Domestic market rescued the textile industry and overall textile and clothing sector was able to grow at 8% for the current financial year as compared to a negative growth of 3.6% during the previous financial year. The demand for exports of Yarn was witnessed mainly from China and Bangladesh, as a result of which export price of Yarn remained lower during most part of the financial year when compared to local markets.
- 5.1.5 During the current financial year, due to expectation of higher crop, cotton prices were subdued during the initial period of the season, but the prices firmed up during the latter part of the year and once again the volatility of cotton prices were as usually high during the latter part of the financial year and er review.
- 5.1.6 Availability of quality cotton remained an issue in the last quarter of the financial year. Cotton crop has once again yielded better results to the Agricultural sector as a result of which the holding power of the farmers has substantially increased which once again resulted into higher prices and volatility. Another major factor for the volatility of cotton prices was also a result of highly volatile Indian rupee which reached Rs.68.50 per US Dollar.
- 5.1.7 The speculative trend in cotton will continue even during the next financial year. The total cotton crop for the next season is expected at 400 Lakh bales. China is carrying a huge quantity of cotton stock. Hence they may not buy the cotton for consumption but for other strategic reasons they may still import some quantity of cotton. During the last financial year China has imported more of Yarn than the cotton as a part of their strategy.
- 5.1.8 It was always a challenge for Indian Textile Industry to procure special fibers which goes into manufacture of technical textiles. But, due to severe recession in the European market, almost all special fibers like Aramids, Para-aramids, Meta-aramids and other performance fibers are made available to Indian Textile Industry from American, European and Japanese manufacturers. As a result of which indigenously produced technical textiles' sales have improved. However, this is once again produced for the developed markets and local consumption of these fibers is almost negligent. Though Indian technical textile industry has grown at an annual average rate of 11% during the last 6 years, until and unless Government of India bring-in Legislative changes for the safety of uniformed forces and labour, the consumption of these fibers may not improve and give rise to the growth of real technical textile sector.
- 5.1.9 Barring United States of America, it is expected that most of the developed economies will continue to face severe recession, as a result of which, prices in export market may witness severe pressure.
- 5.2 Opportunities and Threats:**
- 5.2.1 During the year the rainfall was very good and almost all the states producing cotton has received good rainfall due to which it is expected that the total cotton production would reach 400 Lakh bales, which is an increase of 10% as compared to previous year. The price of cotton is expected to be similar to last year unless the export goes up substantially. The quality of the cotton is also expected to be better than the last year. In view of this the mills may not face any shortage of quality cotton. Also Industry is not foreseeing any problem in man-made fibers from within the country and hence the raw material position will be comfortable.
- 5.2.2 In the month of September 2012, the Company had sold its captive Hydro power unit to its subsidiary. This was the first year of operation, wherein Company had to buy entire power requirement from GPEL, HESCOM and other suppliers. Company was able to absorb this additional cost. The Company also purchases power through open-access from power exchange through Power Trading Corporation.
- 5.2.3 After India signed various nuclear deals, it was expected that many nuclear plants will come up in the country and increase the availability of energy in the country. Unfortunately except one plant at South India, no new Nuclear power plants have come in the country. Thermal Power Plants across the country are facing severe fuel crisis and are unable to operate to its economic level. This fuel shortage has restricted additional new capacities. This situation may lead to shortage of power and energy in the country. After the Uttarakand disaster, there will be considerable delay in setting up of new Hydro power plant, which once again restricts additional new capacities. As said above, all these will result in increase of

power cost and shortage of power resulting into lower capacity utilization. The Company was using the low cost bio fuels, the prices of which has gone up steeply as result of which Company has started using coal due to which steam generating cost has gone up substantially increasing the cost of dyed yarn.

- 5.2.4 Looking at the increase in energy cost and to reduce carbon footprint, the Government of India has formed a new agency to audit the energy consumption of manufacturing units. This Bureau of Energy Audit (BEA) have identified few units in all sectors for implementing program of energy conservation and your Company is one among them. Bureau of Energy Audit will fix the norms for energy consumption for each unit of production and provide incentives by way of PAT certificates (Perform, Achieve and Trade). If the energy consumed is higher than the stipulated level, Company has to buy PAT certificate which will increase the manufacturing cost. Hence, Company may be required to invest large sum of money for monitoring and conserving energy to remain within the stipulated norms.
- 5.2.5 Due to depreciation of Indian Rupee, the cost of dyes and chemicals has gone up very steeply which warrants for increase in dyed yarn prices by atleast 10% to 15%, for which there is severe resistance from the customers and market.
- 5.2.6 Availability of man-power has become a major issue in all the industry and Textile being a labour intensive, the effect of shortage of labour is more severe. During the year the Company also faced severe shortage of labour due to which the capacity utilization and production was severely affected. If Company were to maintain its budgeted output, performance of the Company would have been better. The major reasons for shortage of labour are availability of alternative comfortable jobs, MNREGA Scheme of the Government of India, movement of people from rural areas to city.
- 5.2.7 During the last couple of years due to inflation, the Dearness Allowance is increasing which will result into Company specific increase in labour cost which will be very difficult to pass on to customers.
- 5.2.8 The financial cost is very high as the lending rates of all the banks have gone up due to high inflation in the country. RBI in its policy is hesitant to reduce the interest rate as it will fuel further increase in the inflation. Though during the current financial year the financial cost of the Company has reduced, Company expects its situation to change adversely.
- 5.2.9 The Company has started manufacturing yarn from specialty fibers which are high contributing. As these fibers are made available to the Company by the customers, the burden on working capital is reduced to an extent. The Company is able to meet the requirement of customers and it is expected that during the next financial year the business from this may increase.
- 5.2.10 Due to increased financial cost, the return on investment is not attractive and hence some modernization plans will have to be postponed which in-turn may give rise to increased maintenance cost of Plants and Machinery.

5.3. Segment-wise, product-wise performance

- 5.3.1 During the year under review, though the sales realization per unit has gone up, it is mainly due to increase in the input cost.

The demand for dyed yarn was comparatively less due to which more grey yarn is sold in the market. The lower demand of dyed yarn has resulted into lower top line growth as also the bottom line.

- 5.3.2 Due to ban on export of yarn in the past, the Company had lost its customer base which were nurtured very carefully. However during the year, the Company was able to bring new set of buyers and also bring back few old customers. Due to this the export during the year has increased by almost 50% in value terms and approximately by 40% in volume terms.

5.4 BUSINESS OUTLOOK :

- 5.4.1 Due to increase in production of cotton in the country, the availability of quality cotton is expected to be better during the current financial year. However, due to speculative nature of the product, the volatility in price may continue like any other previous years and hence timing of buying and storing sufficient cotton may play a major role in determining both top line and bottom line. Due to various subsidies given by the Government for various categories of citizens, it is expected that the buying power will be better and hence domestic consumption of cotton yarn is expected to grow further. International market for yarn will remain at the present level, but the market is not expecting any change in the prices and hence local markets may remain attractive.
- 5.4.2 Developed countries hitherto maintained production of value added fibers and its products. But presently, even for these products they are looking for low cost manufacturing base and hence production of specialty fiber products within the country is expected to grow substantially. Company has invested substantial money, time and efforts to develop some of these specialty fiber products and expect the growth of business from this segment during next financial year.
- 5.4.3 Company will face severe challenges both in terms of availability and cost in meeting the requirement of energy and man-power. Company will undertake new initiatives for conservation of energy and also to meet the man-power requirements. Company will continue to invest money in development of new products which in-turn may generate higher revenues for the Company. However, it must be noted that the number of these products when compared to overall production of the Company, will continue to be very marginal.
- 5.4.4 Hitherto, industrial fabrics were made from heavier fabrics necessitating installation of special equipment which created entry barriers. However during the recent year, in order to save cost and still maintain its functionality, the markets have moved to synthetic fibers as a result of which the fabrics weights have come down. This has created a new opportunity for many companies and hence the margin of industrial fabric will remain subdued. Company will have to invest substantial money in the new product development to replace fabrics which are going out of markets. New initiatives taken by the Company in this direction is slowly yielding results, but this process is expected to take long time to settle and produce necessary results.

5.5 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. Company has taken several steps to introduce high performance fibres to move up in the value chain and in-house research in developing these products commercially has been a success.

5.6. 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.

5.7. 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, the balance sheet abstract and Company's general business profile are annexed to the annual accounts of the Company.

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

5.8.1 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 wherever 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.

5.8.2 On the Industrial Relations front, a cordial relationship has been maintained with the workmen and their Union 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. Your Company has successfully introduced Internal Auditors for ISO 9001 from the workmen category which was a very successful effort put in by the Management. Apart from this, a team of workers have been formed as change agents who are very active in training other co-workers in many

aspects of shop floor functioning. These efforts have started yielding intangible results and it is expected that continuation of such efforts will start yielding tangible results too, in future.

5.9. 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.

6. DIRECTORS :

Mr.Pradip N. Kapadia, Mr.C.G.Shah and Mr.Kaiwan Kalyaniwalla, Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

Mr.H.S.Bhaskar, Executive Director & CEO is eligible for re-appointment as Whole time Director of the Company for a period of 3 years from 31.07.2013 to 30.07.2016.

The Board of Directors commends their re-appointment.

Particulars of Directors, who are proposed to be re-appointed at the 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 corresponding Section 164 of the Companies Act, 2013.

7. 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.

8. DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956 and corresponding Section 134 of the Companies Act, 2013, 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 from 01.10.2012 to 30.09.2013, 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 from 01.10.2012 to 30.09.2013 on a 'going concern' basis.

9. AUDITORS AND AUDIT REPORT:

Messrs. Kalyaniwalla & Mistry, Chartered Accountants, Statutory Auditors of the Company and Messrs. H. B. Murugesh & Co., 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 previous 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 re-appointment.

10. CORPORATE SOCIAL RESPONSIBILITY:

Established in 1887, the Company is one of the oldest and most modern textile plant in India. The Company is the pioneer in the field of hydro power generation in India. In order to run the Company's production facility with hydro power, conserve and preserve the water, Company built a mini dam in the form of a weir at Dhupdal and at Gokak Falls. A unique plantation effort by the Company on rocky terrain led to the planting of over 2 million trees to protect the environment.

Since its inception, the Company has expanded many folds and we are happy to inform that 4th & 5th generation of workers continue to have gainful employment with the Company. The Company followed a policy of providing employment to the local population majority of whom belong to backward classes and minority communities.

Apart from providing the employment and nurturing the vegetation, Company runs several schools where more than 2800 students study. The uniqueness of the schools which are run by the Company is that, it provides education in Kannada, Marathi, Urdu and English as medium of instruction. The hospital, residential complex and several educational institutions provided by the Company are among the best in the region. The Company has also built and maintaining various places of worship catering to all the major religions. From time to time, Company has spent millions of rupees to upgrade the infrastructure.

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.

Since its inception, Company is re-cycling all the process waste and manufacture quality yarns and other products for both local and export markets which greatly helped in reduction of carbon-emission. Your Company has always strived to increase its output to input ratio which once again reduces carbon-emission.

11. 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 from 01.10.2012 to 30.09.2013.

Necessary books of accounts and cost records as required under Section 209(1)(d) of the Companies Act, 1956 and corresponding Section 128 of the Companies Act, 2013, as applicable to the Textiles activities of the Company have been maintained.

12. 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.

13. 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.

14. 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 Union. Your Directors thank all other stakeholders including Financial Institutions and suppliers of various goods and services 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
7th November, 2013.

Registered Office :
No.24, 29th Main
BTM Layout II Stage
Bangalore – 560 076.

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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 2012-13:

1. Rearrangement of Blow Room waste evacuation system of 7 mill which enabled power saving.
2. Auditing of pulleys of Autoconer machines and proper machining in workshop. This has enabled reduction of load on motors of Savio Autoconers.
3. Rearrangement of power capacitors near load centers and replacement of derated capacitors
4. Interlocking of continuous operating material transport motors to demand.
5. Overhauling, Lubrication and replacement of old inefficient bearings by new one in all DJ5 Ring frame machines in 2 Mill.
6. Change in Blade angle of Supply air fan of Humidification plant to reduce the load on fan motors.
7. Estimated the quantity of air leakage by Rotameter and accordingly leakage was arrested in all autoconers.
8. Replaced the ordinary ballast by the electronic choke in tube lights.

(b) ADDITIONAL INVESTMENT PROPOSALS, 2013-14

1. Provision of front stop motion to speed frame machines and enabling stopping pneumafil fan motors to save power.
2. Provision of frequency converter in pneumafil fan of Ring Frame machines.
3. Replacement of lower efficiency motor to high efficiency motor.
4. Re-arrangement of lighting circuit to switch off the lighting.
5. Installation of APFC panels and converting some old manual APFC panels to auto mode.
6. Time optimization of overhead cleaner motors of Ring Frame machines for power saving.
7. Introduction of lower dia suction tubes in Ring Frame machines to enable power saving.
8. Automation of 12 TPH Boiler.
9. Refurbishing of 224 Kg Dyeing machine enabling power saving.
10. Replacement of conventional street light fittings with LED lights to conserve energy as well as extended life.
11. To replace normal pumps with energy efficient pumps.
12. Rearrangement of power feeding from Grid power house to 2 Mill by increasing the cross section .
13. Installation of power transformers nearer to load center for Mill 1,2 & 3.

(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.

(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		42.74
2. Commission		-
Total		<u>42.74</u>
(b) Foreign exchange outgo :		<u>(Rs. Crores)</u>
1. Imports calculated on CIF basis – raw material		11.72
2. Imports calculated on CIF basis – stores, spares and tools		1.03
3. Imports calculated on CIF basis – capital goods		-
4. Commission to overseas agents		0.85
5. Foreign travel		-
6. Royalty		-
7. Interest		0.15
8. Others		0.15
Total		<u>13.90</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 30-09-2013 (12 Months)	Previous year ended 30-09-2012 (18 Months)
1. Electricity			
(a) Purchased			
Unit	‘000 kwh	79,857.03	59,349.21
Total Amount	Rs.in Lakhs	4,049.90	3,480.09
Rate / unit	Rs.	5.07	5.90
(b) Own Generation			
Through Diesel Generator Unit	000 kwh	53.50	490.79
Unit/Litre of Diesel oil	kwh	4.45	2.56
Cost/unit	Rs.	47.48	15.42
2. Coal (Steam-coal-used in Boilers)			
(a) Quantity	Tonnes	7,612.84	1,939.41
(b) Total Cost	Rs.in Lakhs	498.41	112.56
(c) Average rate / tonne	Rs.	6,546.94	5,803.93
3. Diesel (Used in Generator)			
(a) Quantity	‘000 Litre	16.40	72.94
(b) Total Cost	Rs.Lakhs	8.48	29.62
(c) Average rate per kilolitre	Rs.	51,679.15	40,610.00
4. Diesel (Used in Thermic Fluid Heater)			
(a) Quantity	‘000 Litre	-	-
(b) Total Cost	Rs.Lakhs	-	-
(c) Average rate per kilolitre	Rs.	-	-
5. Furnace Oil		Nil	Nil
6. H.F.O. Power Generation			
Units	‘000 kwh	0.00	23.58
Total Amount	Rs.in Lakhs	2.41	3.94
Rate / unit	Rs.	0.00	16.72
7. Others/Internal Generation			
(i) Bagasse/Paddy Husk			
(a) Quantity	Tonnes	2,443.70	12,580.65
(b) Total Cost	Rs.in Lakhs	81.55	431.92
(c) Average rate / tonne	Rs.	3,337	3,422.20
(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	0.00	670,500
(b) Total Cost	Rs.in Lakhs	0.00	53.24
(c) Average rate / cusec	Rs.	0.00	7.94

(B) Consumption per Unit of production :

Product : Yarn/Canvas/Terry Towel / Knitted Garments
Unit of Production :Kg./Pieces

		Standard if any	Current Year	Previous Year	Reasons for variation
1. Electricity	Kwh	-	4.17	3.91	#
2. Coal	Kg.	-	0.42	0.09	#
3. Diesel	Ltrs.	-	0.00	0.16	#
4. Diesel for Thermic Fluid	Ltrs.	-	-	-	#
5. Furnance Oil	Ltrs.	-	-	-	#
6. Bagasee/Paddy Husk	Kg.	-	0.01	3.24	#
7. Gas	M ³	-	-	-	#
8. Water	Cusec	-	0.000	0.030	#

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) 2012-2013

1. Specific areas in which R&D carried out by the Company : This includes -
- a) Introduction of new fibres like Coolmax, Thermolite, Kernal multi blends, Kernal Lenzing, 2/30 elitwist, 2/40 elitwist, higher GSM fabrics (680 GSM) 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) Special fibres for fire retardant end use.
4. Expenditure on R & D: (Rs. in Lakhs)
- | | |
|--|---------------|
| a) Capital | - |
| b) Recurring | 102.96 |
| c) Total | <u>102.96</u> |
| d) Total R & D expenditure as percentage of total turnover | 0.28% |

(B) Technology Absorption, Adaptation and Innovation :

1. Efforts in brief, made towards technology absorption, adaptation and innovation. Nil
2. Benefits derived as a result of the above. Nil
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. | } Nil |
| 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. | |

ANNEXURE 'A'

Annexure forming part of Directors' Report for the year ended 01.10.2012 to 30.09.2013

Note : Position indicated is as at the end of the year i.e. **30th September, 2013, 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. (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. 30 th September, 2013 See Annexure AA
i. Promoter Directors.	1
ii. Managing/Executive Directors.	1
iii. Non-Executive Director(s).	9 (including 1 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.
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 : – 31.10.2012 13.02.2013 10.05.2013 14.08.2013 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

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Code of Conduct for Board of Directors and Senior Management :			
<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 financial year from 01.10.2012 to 30.09.2013. The Annual Report contains a declaration to this effect signed by the Executive Director & CEO.</p>			
CEO/General Manager - Finance Certification			
<p>As required by the revised Clause 49 of the Listing Agreement, the Certificate from Mr. H.S.Bhaskar, Executive Director & CEO and Mr. Govinda R. Kadekar, General Manager -Finance was placed before the Board of Directors at their Meeting held on November 07, 2013.</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.R.N.Jha @ Chairman	4	4
	* Mr.Ashok Barat	4	3
	* Ms.Rima Marphatia @	4	4
	* Mr.D.G.Prasad @	4	4
	<p>* Non-Executive Director @ Non Executive Independent Director All members are financially literate and have Accounting expertise. Mr.K.Ramananda Pai, the Company Secretary, acts as the Secretary of the Committee.</p>		
iv. Number of Audit Committee Meetings held- dates on which held	<p>4 Audit Committee meetings were held on the following dates - 31.10.2012 13.02.2013 10.05.2013 14.08.2013 The gap between two consecutive Audit Committee Meetings was not more than four months.</p>		
4. Nomination and Remuneration Committee :			
i. Brief description of terms of reference	<p>The Nomination and 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/her tenure.	Name	No. of Meetings held during his/her tenure	No. of Meetings attended by him/her
	Mr. Shapoor P.Mistry (Chairman)	2	2
	Mr.R.N.Jha @	2	2
	Mr.Kaiwan Kalyaniwalla @	2	2
	Ms.RimaMarphatia @	2	2
	@ Independent Directors		
iv. Remuneration Policy	<p>The Nomination and 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 :</p>		

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	3,499,296				
(b) Benefits and perquisites	99,800				
(c) Bonus / Commission	12,00,000 (paid during the year for the financial year ended 31.03.2012)				
(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	31.7.2013 to 30.7.2016 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. Shapoor P. Mistry	Nil	60000	Nil	60000
	Mr. Ashok Barat	Nil	60000	Nil	60000
	Mr. C. G. Shah	7	40000	Nil	40000
	Mr. Pradip N. Kapadia	Nil	30000	Nil	30000
	Mr. R.N.Jha	Nil	100000	Nil	100000
	Mr. Kaiwan Kalyaniwalla	Nil	60000	Nil	60000
	Ms. Rima Marphatia *	Nil	100000	Nil	100000
	Mr. Vasant Sanzgiri	Nil	30000	Nil	30000
	Mr. D.G. Prasad	Nil	80000	Nil	80000
	* 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 30 th September, 2013.				
6. General Body Meetings:					
i. Location and time where last three Annual General Meetings (AGM) held	4 th AGM held on 3 rd September 2010 at 2.00 p.m Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560 001	5 th AGM held on 25 th August 2011 at 2.00 p.m. Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560 001	6 th AGM held on 29 th November 2012 at 3.00 p.m. Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore 560 001		
<u>Note</u> : This is the 7 th AGM of the Company.					

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<p>ii. Details of Special Resolutions passed in the previous 3 AGMs</p> <p>(1) 4th AGM – 03rd September, 2010 : (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>(2) 5th AGM – 25th August, 2011 : No special resolution passed</p> <p>(3) 6th AGM – 29th November, 2012 : No special resolution passed</p>	
<p>iii. Whether special resolutions were put through postal ballot last year, details of voting pattern.</p>	<p>During the year 2013-14, a Special Resolution was put through postal ballot on 16.10.2013 for sale /transfer of the Knitwear Business of the Company and the results of which will be announced on 5th December, 2013</p>
<p>iv. Persons who conducted the postal ballot exercise.</p>	<p>Mr.B.S.Srinivas, Practising Company Secretary</p>
<p>v. Procedure for postal ballot.</p>	<p>As stated above</p>
<p>vi. Whether special resolutions were put through postal ballot last year, details of voting pattern</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>

9. General Shareholders Information:			
i. AGM – Date, time and venue	AGM of the Company is scheduled on 24th December , 2013 at 3.00 P.M. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.		
ii. Financial Year	Financial year of the Company will start from 1st October and ends on 30th September each year. and the last financial year has ended on 30th September, 2013.		
iii. Book Closure Date	The Register of Members and the Share Transfer Books of the Company will remain closed from 17 th December, 2013 to 24 th December, 2013.		
iv. Dividend Payment date	No dividend is proposed for the financial year 2012-13		
v. Listing on Stock Exchange	Shares of the Company are listed on Bombay Stock Exchange Ltd.,(BSE) Mumbai.		
vi. Stock Code	Stock Code of the Company, allotted by Bombay Stock Exchange Ltd., Mumbai is 532957 and ISIN allotted under the dematerialisation procedure is INE642101014.		
vii. Market Price Data – High/Low during the each month of the Financial Year.	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:		
	Month and Year	High Rs.	Low Rs.
	Oct. 2012	54.90	49.70
	Nov.2012	60.00	52.30
	Dec.2012	60.95	50.25
	Jan. 2013	54.85	47.10
	Feb. 2013	52.50	39.00
	March, 2013	49.75	37.50
	April, 2013	51.10	34.35
	May, 2013	47.25	37.20
	June, 2013	46.00	37.30
	July, 2013	42.90	36.00
	August, 2013	41.95	35.20
	September, 2013	37.05	32.40
viii. Registrars and Share Transfer	<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 viz., TSR Darashaw Pvt. Ltd., 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E.Moses Road, Mahalaxmi, Mumbai 400011 or TSR Darashaw Pvt. Ltd., 503, Barton Centre, 5th Floor, No.84 Mahatma Gandhi Road, Bangalore – 560 001. Alternatively, these can be sent to the Company Secretary, Gokak Textiles Ltd., Registered Office, No.24, 29th Main BTM Layout II Stage Bangalore - 560 076.</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> <p>- Distribution by category</p>		
ix. Distribution of Share-holding (As on 30.09.2013)	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	2,70,024	4.15
	Insurance Companies	2,96,057	4.56
	Mutual Funds / UTI	211	0.00
	FII's & OBC's	2,24,750	3.46
	Public	8,62,462	13.27
	Total	64,99,308	100.00

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	– Distribution by size of holding			
	Holding	No. of Shareholders	No. of Shares	% to paidup Capital
	1 to 5000	9922	4,84,624	7.46
	5001 to 10000	144	1,06,600	1.64
	10001 to 20000	69	98,950	1.52
	20001 to 30000	18	45,361	0.70
	30001 to 40000	6	20,976	0.32
	40001 to 50000	5	23,416	0.36
	50001 to 100000	11	79,849	1.23
	100001 & above	15	56,39,532	86.77
	Total	10,190	64,99,308	100.00
ixb. Dematerialisation of Shares & liquidity (As on 30.9.2013)	Status of dematerialisation of Shares and liquidity as on 30.9.2013			
	Details	No. of shares Holders	No. of shares	% to Paidup Capital
	National Securities Depository Ltd.	4,199	60,18,612	92.60
	Central Depository Services (India) Ltd.	1,150	1,85,672	2.86
	Total dematerialized	5,349	62,04,284	95.46
	Physical	4,841	2,95,024	4.54
	Total	10,190	64,99,308	100.00
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>Mill :</p> <p>1. Gokak Falls – 591308 Dist. Belgaum, Karnataka State</p> <p>Factory:</p> <p>1. Bagalkot Road, Marihal Village, Dist. Belgaum, Karnataka State 591 167.</p>			
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 Pvt. 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: csg-unit@tsrdarashaw.com Website : www.tsrdarashaw.com</p>			

	Investors if they so prefer can send transfer request, correspondence and queries to the Company at the following address. Company Secretary Gokak Textiles Ltd., No.24, 29 th Main, BTM Layout II Stage Bangalore – 560 076 Ph. No. 080 - 26685094 Fax : 080 26689604 e-mail: ramanandapai@gokaktextiles.com
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For and on behalf of the
Board of Directors

Mumbai
7th November, 2013

SHAPOOR P. MISTRY
Chairman

Registered Office :
No.24, 29th Main, BTM Layout II Stage
Bangalore – 560 076

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 financial year from 01.10.2012 to 30.09.2013 ended on 30th September, 2013.

For GOKAK TEXTILES LIMITED

Mumbai
7th November, 2013

H.S.BHASKAR
Executive Director & CEO

Registered Office :
No.24, 29th Main, BTM Layout II Stage
Bangalore – 560 076.

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ANNEXURE 'AA'

Annexure forming part of Directors' Report for the year from 01.10.2012 to 30.09.2013.

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. Shapoor P. Mistry	Non-Executive Promoter	4	4	No
2.	Mr. H. S. Bhaskar	Executive	4	3	Yes
3.	Mr. Ashok Barat	Non-Executive Non Independent	4	3	Yes
4.	Mr. C. G. Shah	Non-Executive Non Independent	4	4	Yes
5.	Mr. Pradip N. Kapadia	Non-Executive Independent	4	3	No
6.	Mr. R. N. Jha	Non-Executive Independent	4	4	Yes
7.	Mr. Kaiwan Kalyaniwalla	Non-Executive Independent	4	4	Yes
8.	Ms. Rima Marphatia	Non-Executive Independent	4	4	No
9.	Mr. Vasant Sanzgiri	Non-Executive Non-Independent	4	3	Yes
10.	Mr. D. G. Prasad	Non-Executive Independent	4	4	No

ANNEXURE 'AB'

Members of the other Boards of Directors or Board Committees in which the Director being a Director as at 30th September, 2013 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. Shapoor P. Mistry	10	Nil	3
2.	Mr. H. S. Bhaskar	1	Nil	Nil
3.	Mr. Ashok Barat	9	1	4
4.	Mr. C. G. Shah	1	Nil	1
5.	Mr. Pradip N. Kapadia	3	3	5
6.	Mr. R. N. Jha	4	2	2
7.	Mr. Kaiwan Kalyaniwalla	4	1	5
8.	Ms. Rima Marphatia	Nil	Nil	Nil
9.	Mr. Vasant Sanzgiri	1	Nil	1
10.	Mr. D. G. Prasad	3	1	Nil

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.

ANNEXURE 'AC'

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

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 re-appointed at this Annual General Meeting, are furnished below :

Name of the Director	Mr. Pradip N. Kapadia	Mr. C.G.Shah
Date of Birth	30 th September, 1951	14 th February, 1943
Date of First Appointment	12 th September, 2008	9 th August, 2007
Qualification	B.A. LLB	B ' COM, F.C.A. D.M.A., F.C.S
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	Mr. Pradip N.Kapadia is a Solicitor and Advocate and Partner of the law firm Vigil Juris.He is Director of several Public Limited Companies. He has expertise in legal matters as an Advocate.	Mr.C.G.Shah has wide and varied experience in Corporate Management, Finance, Accounting and Taxation of over 44 years including reconstruction of Corporates, Amalgamation, Mergers and Demergers.
List of Public Limited Companies in which Directorship held as on 30th September, 2013	<u>PUBLIC COMPANIES</u> 1. Afcons Infrastructure Ltd., 2. Mafatlal Industries Ltd., 3. Navin Fluorine International Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Gokak Power & Energy Ltd.
Member of the Board Committees	1. <u>Audit Committee</u> (a) Mafatlal Industries Ltd., (b) Afcons Infrastructure Ltd., (c) Navin Fluorine International Ltd., 2. <u>Remuneration Committee</u> (a) Afcons Infrastructure Ltd., (b) Mafatlal Industries Ltd., 3. <u>Share Transfer & Shareholders Grievance Committee</u> (a) Afcons Infrastructure Ltd., (b) Navin Fluorine International Ltd., (c) Mafatlal Industries Ltd., 4. <u>Compensation(ESOP) Committee</u> Afcons Infrastructure Ltd.,	<u>Audit Committee</u> Gokak Power & Energy Ltd.,
No. of Shares held	Nil	7

Mumbai
7th November, 2013.
Registered Office :
No.24, 29th Main, BTM Layout II Stage,
Bangalore – 560 076.

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

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ANNEXURE 'AC'

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

Name of the Director	Mr. Kaiwan Kalyaniwalla	Mr. H.S.Bhaskar Whole time Director
Date of Birth	13 th August, 1964	20 th September, 1955
Date of First Appointment	24 th September, 2010	31 st July, 2007
Qualification	B.A. LLB	Diploma in Textile Technology
Relationships between directors inter-se	Not related to any directors of the Company	Not related to any directors of the Company
Expertise in specific functional areas	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.	Mr.H.S.Bhaskar has wide and varied experience over 33 years in Textile Industry in the operational and managerial cadres. He has led teams of professional managers in India and abroad.
List of Public Limited Companies in which Directorship held as on 30 th September, 2013	<u>PUBLIC COMPANIES</u> 1. Allcargo Logistics Ltd., 2. Hindustan Cargo Ltd., 3. Forbes & Company Ltd., 4. Gokak Power & Energy Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> Gokak Power & Energy Ltd.,
Member of the Board Committees	1. <u>Audit Committee</u> (a) Allcargo Logistics Ltd., (b) Gokak Power & Energy Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> (a) Allcargo Logistics Ltd., (b) Forbes & Company Ltd., 3. <u>Remuneration Committee</u> (a) Allcargo Logistics Ltd., (b) Hindustan Cargo Ltd., (c) Gokak Textiles Ltd.,	NIL
No. of shares held	Nil	10

Mumbai
7th November, 2013.

Registered Office :
No.24, 29th Main, BTM Layout II Stage,
Bangalore – 560 076.

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 September 30, 2013, 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,
31st October, 2013

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

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GOKAK TEXTILES LIMITED

Report on Financial Statements

1. We have audited the accompanying financial statements of **Gokak Textiles Limited** ("the Company"), which comprise the Balance Sheet as at September 30, 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation, maintenance of internal control and relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
 - ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Other Legal and Regulatory Requirements

7. 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.
8. As required by section 227(3) of the Act, 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 appears from our examination of those 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, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with audited returns from the branches.
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
 - e. On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2013, 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,
November 07, 2013.

Vinayak M Padwal
Partner
Membership No. 49639

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 7 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date on the accounts of **Gokak Textiles Limited** for the year ended September 30, 2013

- 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, the fixed assets disposed off during the year were not substantial and do not affected the going concern status of the Company.
- 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) (a) As informed, the Company has not granted any loan, secured/ unsecured to any Companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly the provisions of Para 4 clause (iii) (a) to (d) of the said order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- 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 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.
- (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	October 2004 to March 2007	High court of Karnataka Bangalore
Income tax	300,912	2001-02 & 2002-03	CIT (A)
Excise Duty	5,562,848	July 2004 to April 2010	High court of Karnataka Bangalore
Provident Fund	2,810,682	January 1990 to December 2001	Employees Provident Fund Appellate Tribunal
Excise Duty	11,037,577	December 2004 to May 2005	Supreme Court of India
	34,170,213		

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- 10) The Company has accumulated losses not exceeding fifty percent of the net worth as at the end of the financial year and has incurred cash losses in the current financial year, however the Company has not incurred cash losses in the immediately preceding financial period.
- 11) According to the records of the Company examined by us and the information and explanations given to us by the Company and the branch auditor, the Company has not defaulted in repayment of dues to a bank or a financial institution.
- 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) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures or investments. Accordingly clause 4 (xiv) of the order is not applicable to the Company.
- 15) 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 *except investments in Gokak Power and Energy Limited (a subsidiary company), equivalent to 14,700,000 shares at a carrying cost of Rs.1, 470 lacs have been pledged with a bank against loan obtained by the said subsidiary Company.*
- 16) 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.
- 17) On the basis of 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.
- 18) 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.
- 19) The Company did not issue any debentures during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) 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.

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

Vinayak M Padwal
Partner
Membership No. 49639

Mumbai,
November 07, 2013.

BALANCE SHEET AS AT SEPTEMBER 30, 2013

Note	As at September 30 2013 ₹	As at September 30 2012 ₹
EQUITY AND LIABILITIES		
Shareholder's fund		
Share Capital	4	64,993,080
Reserves and Surplus	5	635,510,957
		<u>700,504,037</u>
Non-current liabilities		
Long Term Borrowings	6	289,570,541
Deferred tax Liabilities (Net)	7	66,498,371
Long Term Provisions	8	17,611,394
		<u>373,680,306</u>
Current liabilities		
Short Term Borrowings	9	887,273,952
Trade Payables	10	455,938,146
Other Current Liabilities	11	344,526,649
Short-Term Provisions	12	5,739,058
		<u>1,693,477,805</u>
TOTAL		<u>2,767,662,148</u>
ASSETS		
Non-current assets		
Fixed Assets		
Tangible assets	13A	1,152,402,483
Intangible assets	13B	13,881,482
Capital Work in Progress		2,275,994
		<u>1,168,559,959</u>
Non Current Investments	14	249,950,002
Long-Term Loans And Advances	15	198,973,603
		<u>1,617,483,564</u>
Current assets		
Inventories	16	808,575,478
Trade Receivables	17	228,413,588
Cash And Cash Equivalents	18	7,879,605
Short-Term Loans And Advances	19	83,869,423
Other Current Assets	20	21,440,490
		<u>1,150,178,584</u>
TOTAL		<u>2,767,662,148</u>
Significant Accounting Policies	3	

The notes are an integral part of the these financial statements

As per our Report attached of even date

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Mumbai, November 07, 2013

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director & CEO

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

VASANT N. SANZGIRI

D G PRASAD

Directors

GOVINDA R. KADEKAR

General Manager Finance

K. RAMANANDA PAI

Company Secretary

Annual Report
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STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Notes	Year ended September 30 2013 ₹	Eighteen months ended September 30 2012 ₹
REVENUE			
Revenue from operations (gross)	21	3,564,941,533	4,813,433,532
Less : Excise Duty		4,415,852	13,377,566
Revenue from operations (net)		3,560,525,681	4,800,055,966
Other Income	22	34,775,905	42,156,834
TOTAL REVENUE		3,595,301,586	4,842,212,801
EXPENSES			
Cost of Raw Materials Consumed	23	2,279,105,729	3,087,355,286
Purchase of Trading Goods	24	196,508	804,789
Change In Inventory of Finished Goods and Work in Progress	25	(75,791,394)	292,837,473
Employee Benefit Expenses	26	418,290,086	603,403,786
Fixed Assets Written Off	33	-	90,510,493
Other Expenses	27	790,951,452	929,718,830
Depreciation	13	104,300,582	204,865,380
Finance Costs	28	207,432,296	385,186,562
TOTAL EXPENSES		3,724,485,259	5,594,682,599
Profit / (Loss) before exceptional and extraordinary items and tax		(129,183,673)	(752,469,798)
Exceptional Items		-	-
Profit / (Loss) before extraordinary items and tax		(129,183,673)	(752,469,798)
Extraordinary Items		-	940,640,199
Profit / (Loss) before Tax		(129,183,673)	188,170,401
Tax expense			
Current Tax		1,300,000	21,200,000
Minimum Alternate Tax Credit Entitlement		(1,300,000)	(21,200,000)
Deferred tax		15,976,194	(6,649,813)
Profit / (Loss) after tax		(145,159,867)	194,820,214
Basic and Diluted Earnings per share (in Rs) before Extra Ordinary Item net of tax	36	(22.33)	(114.75)
Basic and Diluted Earnings per share (in Rs) after Extra Ordinary Item after tax	36	(22.33)	29.98
Significant Accounting Policies	3		

The notes are an integral part of the these financial statements

As per our Report attached of even date

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Mumbai, November 07, 2013

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director & CEO

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

VASANT N. SANZGIRI

D G PRASAD

Directors

GOVINDA R. KADEKAR

General Manager Finance

K. RAMANANDA PAI

Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Year ended September 30 2013 ₹	Eighteen months ended September 30, 2012 ₹
A. Cash flow from operating activities:		
Profit/(Loss) before tax	(129,183,673)	188,170,401
Adjustments for:		
Depreciation	104,300,582	204,865,380
Interest income	(1,481,349)	(869,907)
Interest and financial charges	207,432,296	385,186,562
Profit on Sale of Fixed Assets	(894,708)	(543,711)
Dividend Income	–	(7,150)
Provision for Doubtful Debts	(59,853,006)	32,930,968
Fixed Assets written off	–	90,510,493
Operating profit before working capital changes and extraordinary items	120,320,142	900,243,036
Extraordinary item: Profit on sale of hydro power business	–	(940,640,199)
Operating profit/ (loss) before working capital changes	120,320,142	(40,397,163)
Adjustments for :		
(Increase)/ Decrease in Inventories	(100,663,450)	383,509,352
(Increase)/ Decrease in Trade and other receivables	69,990,594	133,390,195
Increase/ (Decrease) in Trade payables and other liabilities	169,515,180	(152,824,097)
Cash generated from operations	259,162,466	323,678,287
Direct Taxes paid	(23,576,460)	(795,072)
Net cash from/(used in) operating activities	235,586,006	322,883,215
B. Cash flow from Investment Activities		
(Purchase)/Sale of investments (net)	–	(249,900,000)
Purchase of fixed assets (including CWIP)	(11,383,981)	(31,161,518)
Sale of Fixed Assets	975,000	664,009
Interest received	1,481,349	869,907
Dividend received	–	7,150
Extraordinary item: Sale of hydro power business	–	1,197,808,950
Net cash (used in)/from investing activities	(8,927,632)	918,288,498
C. Cash flow from finance activities		
Repayment of Borrowings to Banks/Financial Institutions	(28,825,175)	(850,539,342)
Interest paid	(210,613,538)	(385,775,265)
Proceeds of Borrowings from Holding Company	–	530,000,000
Repayment of Borrowings to Holding Company	–	(530,000,000)
Net cash (used in)/from financing activities	(239,438,713)	(1,236,314,607)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(12,780,339)	4,857,106
Cash and Cash equivalents at the beginning of the year/period	20,659,944	15,802,838
Cash and Cash equivalents at the end of the year/period	7,879,605	20,659,944

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CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Year ended September 30 2013 ₹	Eighteen months ended September 30, 2012 ₹
D. Components of cash and cash equivalents		
Cash on Hand	1,111,726	1,977,704
Balances with banks:		
In current accounts	5,610,655	17,573,051
In deposit accounts	1,157,224	1,109,189
	<u>7,879,605</u>	<u>20,659,944</u>

Notes

- 1 Figures in brackets indicate cash outflow.
- 2 To finance the working capital requirements the Company's bankers have sanctioned a total fund based limit of Rs.10,600 Lac. Out of this limits utilised as on September 30, 2013 is Rs. 7,298 Lac.

As per our Report attached of even date

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Mumbai, November 07, 2013

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY *Chairman*
H. S. BHASKAR *Executive Director & CEO*
ASHOK BARAT
C. G. SHAH
PRADIP N. KAPADIA
R. N. JHA
KAIWAN KALYANIWALLA
VASANT N. SANZGIRI
D G PRASAD

Directors

GOVINDA R. KADEKAR *General Manager Finance*
K. RAMANANDA PAI *Company Secretary*

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1 Corporate Information

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 Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

3 Accounting Policies
(a) 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. Difference between the actual and estimates are recognised in the period in which the results are known/materialised.

(b) Fixed Assets :

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from the exchange rates variances relating to liabilities attributable to fixed assets are expensed out. Cost of Leasehold Land and Building are amortised over the period of lease.

(c) Depreciation /Amortisation :

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.

(d) 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 whichever is lower.

(e) 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, Spares 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 up to stage of completion.
4	Finished Goods:	
	(i) Produced	Aggregate of material cost, production overheads and excise duty paid / payable thereon.
	(ii) Traded Goods	
	(a) Yarn	First-In-First-Out
	(b) Textile	Weighted average

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

(f) 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.

(g) Revenue Recognition :

Sales are accounted for on dispatch of goods to the customers, all significant contractual obligations have been satisfied and the collection of the resulting receivable is reasonably expected. Sales are net of sales tax, excise duty and sales returns.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

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 time proportion basis.

Revenue in respect of insurance/other claims, interest etc is recognised only when it is reasonably certain that the ultimate collection will be made.

(h) Operating Expenses :

Operating expenses and standing charges are charged to revenue on accrual basis.

(i) Foreign Exchange Transactions :

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 Statement of profit and loss. Gains or losses arising in respect of forward foreign exchange contracts or on cancellation thereof are recognised as income or expense.

(j) Provisions and Contingent Liability :

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.

(k) Grants :

Government grants, which relate to specific fixed assets, are treated as deferred income and recognised in the Statement of Profit and Loss 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 Statement of Profit and Loss over periods matching them with the related costs which they intended to compensate.

(l) Research and Development Expenditure :

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.

(m) Accounting for Taxes on Income :

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.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Credit Available in respect of MAT under the Income Tax Act, 1961, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

(n) Earnings per Share :

The Company reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
(o) 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 statement of profit and loss. 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.

(p) 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 Statement of Profit and Loss of the year in which the employee renders the related service.

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 Statement of 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 Statement of Profit and Loss.

4 Share Capital

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Authorised: Equity shares of ₹10/- each	7,000,000	70,000,000	7,000,000	70,000,000
Issued, Subscribed & paid up Equity shares of ₹10/- each fully paid	6,499,308	64,993,080	6,499,308	64,993,080
Total	6,499,308	64,993,080	6,499,308	64,993,080

(A) Reconciliation of equity shares outstanding at the beginning and end of the reporting year

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	6,499,308	64,993,080	6,499,308	64,993,080
Add : Shares issued during the year	—	—	—	—
Less : Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	6,499,308	64,993,080	6,499,308	64,993,080

(B) Terms/rights attached to equity shares

The company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share.

During the eighteen months ended 30th September 2013, the amount of per share dividend recognized as distributions to equity shareholders is NIL (September 30, 2012: NIL).

(C) Details of shares held by shareholders holding 5% of the aggregate shares in the Company

Name of the Shareholder	September 30, 2013		September 30, 2012	
	No.	%	No.	%
Shapoorji Pallonji & Company Ltd. (Holding Company)	4,780,845	74 %	4,780,845	74%

(D) Buyback of Shares, Bonus Shares, ESOP and Shares issued for consideration other than cash

The company has not bought back any shares neither has it issued any bonus shares and shares under ESOP in the past five years. In the FY 2007-08; the company issued 6,449,308 shares to the shareholders of Forbes Gokak Limited pursuant to the Scheme of Demerger for consideration other than cash.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

5 Reserves & Surplus

	September 30, 2013 ₹	September 30, 2012 ₹
Surplus/ (Deficit) in Statement of Profit and Loss		
Opening balance	64,639,138	(130,181,076)
(+) Net (loss)/profit for the year/period	(145,159,867)	194,820,214
Closing Balance	(80,520,729)	64,639,138
General Reserve	716,031,686	716,031,686
Total	635,510,957	780,670,824

6 Long Term borrowings

	September 30, 2013 ₹	September 30, 2012 ₹
Secured		
Term Loans from Banks/Financial Institutions	289,570,541	458,763,745
Total	289,570,541	458,763,745

Terms of Repayment, Rate of Interest and Nature of Security of Long Term Borrowings

Particulars	September 30, 2013 ₹	September 30, 2012 ₹
1-2 Years	115,100,000	169,127,977
2-3 Years	87,878,435	116,774,768
3-4 years	48,014,000	86,512,049
Beyond 4 Years	38,578,106	86,348,951
Total	289,570,541	458,763,745

The above borrowings carry effective interest rates ranging from 7% p.a. to 14 % p.a.

Borrowings amounting to Rs.8,73,66,435 are secured by exclusive charge of hypothecation of movable/immovable fixed assets acquired/ to be acquired.

Borrowings amounting to Rs.20,22,04,106 are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired/ to be acquired.

7 Deferred Tax Liability

	September 30, 2013 ₹	September 30, 2012 ₹
Deferred Tax Liability		
Depreciation	82,264,422	95,409,117
Deferred Tax Asset		
Provision For Doubtful Debts	11,095,961	37,419,730
Provision For Leave Encashment	3,322,360	5,198,403
Provision For Gratuity	1,347,730	2,268,807
	66,498,371	50,522,177

For the year ended September 30, 2013, in compliance with the Accounting Standard 22 the deferred tax asset on post demerger unabsorbed depreciation has been recognised to the extent of deferred tax liability on account of depreciation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
8 Long Term Provisions

	September 30, 2013	September 30, 2012
	₹	₹
Provision For Gratuity	6,462,365	6,695,713
Provision For Leave Encashment	11,149,029	11,916,196
Total	17,611,394	18,611,909

9 Short Term Borrowings

	September 30, 2013	September 30, 2012
	₹	₹
From Banks:		
Working Capital Loan (Secured)	724,065,945	512,078,199
Bills Discounted (Unsecured)	163,208,007	196,735,129
Total	887,273,952	708,813,328

Working Capital Loan is secured against hypothecation of all stocks including raw materials, work in progress, finished goods, stores and book debts.

10 Trade Payables

	September 30, 2013	September 30, 2012
	₹	₹
Due to Micro Small and Medium Scale Enterprises (Refer Note 31)	–	–
Due to Others (Refer Note 45)	455,938,146	252,384,587
Total	455,938,146	252,384,587

11 Other Current Liabilities

	September 30, 2013	September 30, 2012
	₹	₹
Current Maturities of Long Term Borrowings	169,106,204	207,198,800
Advances from Customers	15,152,367	18,737,355
Deposits	9,962,341	12,205,195
Sales Tax Payable	3,537,427	3,702,770
Other Payables	141,241,000	169,621,666
Interest accrued but not due	5,527,310	8,708,552
Total	344,526,649	420,174,339

There are no amounts due for payments to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

12 Short Term Provisions

	September 30, 2013	September 30, 2012
	₹	₹
Provision for Taxation (Net of advance payment of taxes; Previous Period Rs. 2,657,589)	–	18,542,411
Provision For Gratuity	276,285	297,067
Provision For Leave Encashment	5,462,773	4,106,005
Total	5,739,058	22,945,483

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
13. FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.10.2012	Addition	Deduction	As on 30.09.2013	As on 01.10.2012	For the Period/Year	On Deductions during the year/period	As on 30.09.2013	Balance as on 30.09.2013	Balance as on 30.09.2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
A. 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	397,956,571	-	-	397,956,571	171,258,441	12,654,166	-	183,912,607	214,043,964	226,698,130
Residential Building	83,230,369	-	-	83,230,369	18,806,448	1,350,762	-	20,157,210	63,073,159	64,423,921
Canal Lining	122,884	-	-	122,884	116,740	-	-	116,740	6,144	6,144
Plant and Machinery	2,968,358,990	19,679,348	8,702,406	2,979,335,932	2,053,919,098	86,419,342	8,702,406	2,131,636,034	847,699,898	914,439,892
Furniture, Fixtures and Office Equipment	74,139,381	140,227	-	74,279,608	47,719,041	3,132,644	-	50,851,685	23,427,923	26,420,340
Vehicles	16,389,927	-	337,500	16,052,427	13,878,257	525,433	2,57,208	14,146,482	1,905,945	2,511,670
Total Tangible Assets	3,542,593,572	19,819,575	9,039,906	3,553,373,241	2,305,848,025	104,082,347	8,959,614	2,400,970,758	1,152,402,483	1,236,745,547
Previous Year	4,261,326,547	15,544,032	734,277,007	3,542,593,572	2,475,952,809	203,870,292	373,975,075	2,305,848,025	1,236,745,547	-
B. Intangible Assets										
Computer Software	20,571,697	1,800,000	-	22,371,697	8,271,980	218,235	-	8,490,215	13,881,482	12,299,717
Total Intangible Assets	20,571,697	1,800,000	-	22,371,697	8,271,980	218,235	-	8,490,215	13,881,482	12,299,717
Previous Year	7,276,892	13,294,805	-	20,571,697	7,276,892	995,088	-	8,271,980	12,299,717	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
14 Non Current Investments

	September 30, 2013	September 30, 2012
	₹	₹
In unquoted equity shares of New India Co-Operative Bank Subsidiary	50,002	50,002
In unquoted 24,990,000 equity shares of Rs.10 each fully paid up of Gokak Power & Energy Limited	249,900,000	249,900,000
Total	249,950,002	249,950,002

Of the above 58.82%, equivalent to 14,700,000 shares at a carrying cost of Rs.147,000,000 of Gokak Power & Energy Limited have been pledged with a bank by the said company against the term loan borrowed by it.

15 Long Term Loans and Advances

	September 30, 2013	September 30, 2012
	₹	₹
Unsecured, considered good		
Advances Recoverable in cash or Kind for value to be received	4,613,471	3,211,398
Balances with Excise Authorities	81,227,260	94,151,723
Balances with Sales Tax Authorities	76,607,973	75,322,631
Deposits	31,490,853	22,167,903
Advance Tax (Net of Provision for taxes; C.Y. Rs. 27,534,046)	5,034,046	–
Total	198,973,603	194,853,655

16 Inventories

	September 30, 2013	September 30, 2012
	₹	₹
Raw materials	171,442,981	153,706,061
Work in Progress	137,801,770	151,766,862
Finished goods	446,050,833	356,294,347
Stores and Spares including Fuel	52,205,367	45,064,582
Packing Material	1,074,527	1,080,176
Total	808,575,478	707,912,028

17 Trade Receivables (Refer Note 45)

	September 30, 2013	September 30, 2012
	₹	₹
Outstanding for a period exceeding six months		
Considered good	24,887,256	21,303,088
Considered doubtful	55,479,803	115,332,809
	80,367,059	136,635,897
Other Debts		
Considered good	203,526,332	174,576,503
Less: Provision for doubtful debts	55,479,803	115,332,809
Total	228,413,588	195,879,591

18 Cash and Bank Balances

	September 30, 2013	September 30, 2012
	₹	₹
Cash on Hand	1,111,726	1,977,704
Balances with banks		
In current accounts	5,610,655	17,573,051
In deposit accounts	1,157,224	1,109,189
Total	7,879,605	20,659,944

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

19 Short term Loans and advances

	September 30, 2013	September 30, 2012
	₹	₹
Unsecured, considered good		
Advances Recoverable in cash or Kind for value to be received	39,173,842	31,860,581
Prepaid Expenses	8,002,883	11,164,872
Advances to Suppliers	13,741,227	40,237,955
Minimum Alternate Tax Credit Entitlement	22,500,000	21,200,000
Other Receivables	451,471	16,591,469
Total	83,869,423	121,054,876

20 Other Current Assets

	September 30, 2013	September 30, 2012
	₹	₹
Interest Subsidy Receivable	8,940,490	13,512,523
Fixed assets held for sale	12,500,000	12,500,000
Total	21,440,490	26,012,523

21 Revenue from Operations

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Sale of		
Finished Goods	3,470,483,720	4,716,867,140
Trading Goods	103,879	896,797
Processing Income	88,343,725	88,606,631
Other Sales	6,010,209	7,062,964
	3,564,941,533	4,813,433,532
<i>Less: Excise Duty</i>	4,415,852	13,377,566
Total	3,560,525,681	4,800,055,966

Details of Finished Goods Sold

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Grey Yarn	2,422,781,031	3,202,385,242
Blended Yarn	60,986,936	197,719,588
Dyed Yarn	541,374,689	712,808,320
Canvas	245,145,563	332,224,546
Apparels	177,996,536	261,646,075
Others	22,198,965	10,083,370
Total	3,470,483,720	4,716,867,140

Details of Trading Goods Sold

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Trading Cotton	103,879	896,797
Total	103,879	896,797

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
22 Other Income

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Interest Income	1,481,349	869,907
Export Benefits	18,231,012	15,145,382
Miscellaneous Income	9,524,213	25,597,834
Exchange Gain (Net)	4,644,623	-
Profit on Sale of Fixed Assets (Net)	894,708	543,711
Total	34,775,905	42,156,834

23 Cost of Raw Materials Consumed

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Opening Stock of Raw Material	153,706,061	230,811,082
Add : Purchases	2,296,842,649	3,010,250,265
	2,450,548,710	3,241,061,347
Less : Closing Stock of Raw Material	171,442,981	153,706,061
Total	2,279,105,729	3,087,355,286

Details of Raw Material Consumed

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Cotton	2,072,892,415	2,663,272,312
Staple Fibre	76,068,937	160,425,921
Bought Waste	26,856,287	112,164,944
Yarn	6,707,651	69,154,970
Others	96,580,439	82,337,139
Total	2,279,105,729	3,087,355,286

24 Purchase of Stock-in-Trade

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Trading Stock	196,508	804,789
Total	196,508	804,789

25 Change In Inventory of Finished Goods and Work in Progress

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Closing Stocks: Finished goods	446,050,833	356,294,347
Work in Progress	137,801,770	151,766,862
	583,852,603	508,061,209
Opening Stocks: Finished goods	356,294,347	632,390,432
Work in Progress	151,766,862	168,508,250
	508,061,209	800,898,682
Total	(75,791,394)	292,837,473

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

Details of Inventory

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Finished Goods		
Grey Yarn	274,468,406	183,528,215
PC Yarn	7,277,920	6,476,793
Dyed Yarn	36,072,906	16,546,101
Canvas	63,909,262	60,169,054
Apparels	61,750,022	82,543,999
Terry Towel	1,997,726	6,904,760
Others	574,591	125,425
Total	446,050,833	356,294,347
Work in Progress		
Cotton Yarn	92,386,881	78,945,646
Loose Grey Cloth & Fabric	6,297,975	7,134,584
Apparels	39,116,914	65,686,632
Total	137,801,770	151,766,862

26 Employee Benefit Expense

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Salaries, Wages, Bonus and Exgratia	332,606,247	475,383,034
Contribution to Provident & Other Funds	50,708,129	73,890,216
Workmen and Staff Welfare Expenses	34,975,710	54,130,536
Total	418,290,086	603,403,786

27 Other Expenses

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Consumption of Stores & Spares	12,638,365	20,093,309
Consumption of Packing material	69,316,061	86,275,852
Power and Fuel	464,018,247	417,208,366
Processing Charges	2,171,816	5,319,170
Repairs & Maintenance		
Buildings	2,859,241	5,019,619
Plant & Machinery	36,255,100	61,436,663
Others	23,109,693	38,937,180
	62,224,034	105,393,462
Rent	9,704,701	18,515,616
Rates and Taxes	6,189,542	11,673,407
Insurance	8,758,409	11,933,381
Legal and Professional Fees	14,127,827	18,554,307
Hank Yarn Obligation	4,139,092	4,947,991
Printing & Stationery	2,120,199	3,040,349
Postage, Telegram and Courier Charges	3,771,118	5,996,956
Freight & Forwarding	43,281,210	57,646,635
Travelling and Conveyance	6,926,980	10,325,376
Commission and Discount	48,487,498	51,126,392
Marketing and Selling	6,255,216	10,342,862
Provisions for Doubtful debts	(59,853,006)	32,930,968
Bad Debts	63,897,684	-
Excise Duty Paid	-	3,320,403
Directors' Meeting Fees	630,216	701,236
Exchange Loss (Net)	-	11,876,063
Miscellaneous Expenses	22,146,243	42,496,730
Total	790,951,452	929,718,830

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
28 Finance Cost

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Interest on Term Loan	28,867,416	103,205,694
Others	168,536,663	263,700,204
Other Borrowing Cost	10,028,217	14,012,990
Exchange Loss on foreign currency borrowings	–	4,267,674
Total	207,432,296	385,186,562

29 Contingent liabilities :

Contingent liabilities not provided in respect of :

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
a) Bills Discounted	22,052,045	26,509,850
b) Guarantees issued by bank	12,657,622	21,972,573
Corporate Guarantee to Other	–	–
c) Taxes in dispute :-		
Entry Tax/Special Entry tax	14,458,194	14,458,194
Income tax matters	300,912	300,912
Excise Demands	16,600,425	5,562,848
Provident Fund	2,810,682	2,810,682
d) Labour Matters in Dispute	4,986,272	4,986,272
e) Bonds given by Company in favour of Customs Authorities	478,320,557	478,320,557
f) Other Demands Contested by the Company		
Trade Payables Claim	71,471	71,471
Electricity Duty	955,893	955,893
Total	553,214,073	555,949,252

30 Notice dated 16th October 2013 seeking approval of Shareholders for divestment of Knitwear Division has been sent. The result of the ballot will be announced on 5th December 2013.

31 Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.4,809,872 (P.Y 5,077,837).

32 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.

33 During the financial period 2011-12, pursuant to approval obtained from shareholders under section 293 (1) (a) of Companies Act 1956, the Company, on September 27, 2012 has sold its hydro power business to its subsidiary company Gokak Power and Energy Limited as a slump sale for a consideration of Rs.120 crores. The business sold includes land & building at written down value of Rs. 15.76 crores and power generation transmission and distribution assets including technical know-how and licenses at written down value of Rs. 9.95 crores. The profit on said slump sale of hydro power business to Gokak Power and Energy Limited amounting to Rs. 94.06 crores is disclosed as extra ordinary item.

34 During the financial period 2011-12, the company has written off fixed assets amounting to Rs. 90,510,493 mainly pertaining to spinning machines, speed frames, humidification plant, HFO plant and weaving machines. The company has scrapped these assets as they are technologically obsolete and in physically damaged condition.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

35 Gratuity

	September 30, 2013	September 30, 2012
	₹	₹
a) Change in Present Value of Obligation		
Present value of the obligation at the beginning of the year	138,460,647	131,205,773
Benefits earned during the year	10,846,099	15,510,736
Current Service Cost	6,832,253	9,538,487
Interest Cost	451,944	379,152
Past Service Cost - Vested Benefit	-	-
Actuarial (Gain) / Loss on Obligation	(3,155,040)	651,024
Benefits Paid	(8,294,952)	(18,824,525)
Present value of the obligation at the end of the year	145,140,951	138,460,647
b) Change in Plan Assets		
Fair value of Plan Assets at the beginning of the year	131,467,867	125,330,400
Expected return on Plan Assets	10,517,429	15,039,648
Actuarial Gain / (Loss) on Plan Assets	2,943,552	665,426
Contributions by Plan Participants	5,339,780	9,298,243
Benefits Paid	(9,087,691)	(18,865,850)
Fair value of Plan Assets at the end of the year	141,180,937	131,467,867
c) Amounts Recognised in the Balance Sheet		
Present value of Obligation at the end of the year	147,919,587	138,460,647
Fair value of Plan Assets at the end of the year	(138,402,301)	131,467,867
Funded Status	2,778,636	-
Net Obligation at the end of the year	9,517,286	6,992,780
d) Amounts Recognised in the Statement of Profit & Loss		
Current Service Cost	6,832,253	9,538,487
Interest cost on Obligation	11,298,043	15,889,888
Expected return on Plan Assets	(10,517,429)	(15,039,648)
Net Actuarial (Gain) / Loss recognised in the year	(6,098,592)	(14,402)
Past Service Cost - Vested Benefit recognised in the year	-	-
Expenses recognized in Profit & Loss Account	1,514,275	10,374,325
e) Actual return on Plan Assets		
Expected return on Plan Assets	10,517,429	15,039,648
Actuarial Gain / (Loss) on Plan Assets	2,943,552	665,426
Actual return on Plan Assets	13,460,981	15,705,074
f) Actuarial Assumptions		
i) Discount Rate	9.25%	8.25%
ii) Expected Rate of Return on Plan Assets	8.60%	8.60%
iii) Salary Escalation Rate	4.00%	4.00%
iv) Attrition Rate	2.00%	2.00%
v) Mortality	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

36 In the opinion of the Management, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all liabilities is adequate and not in excess of the amount reasonably necessary.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

37 Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Net (Loss)/Profit before extraordinary items (net of tax) (Rs.)	(145,159,867)	(745,819,985)
Net Profit after extraordinary items after tax (Rs.)	(145,159,867)	194,820,214
Weighted average number of Equity Shares outstanding	6,499,308	6,499,308
Nominal Value of Share (Rs.)	10	10
Basic and Diluted Earnings per share before extra ordinary items (net of tax) (in Rs.)	(22.33)	(114.75)
Basic and Diluted Earnings per share after extraordinary items after tax (in Rs)	(22.33)	29.98

38 Break up of details of consumptions of Raw Materials & Stores and Spares

Particulars	Year ended September 30, 2013		Eighteen months ended September 30, 2012	
	₹	%	₹	%
Raw Material				
Imported	153,819,070	6.75	172,014,877	5.58
Indigenous	2,125,286,659	93.25	2,913,089,484	94.42
Total	2,279,105,729	100	3,085,104,361	100
Stores and Spares				
Imported	13,994,128	17.08	30,700,524	28.86
Indigenous	67,960,299	82.92	75,668,637	71.14
Total	81,954,426	100	106,369,161	100

39 CIF Value of Imports

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Raw Materials	117,249,114	176,306,245
Stores and Spares	10,262,878	27,530,543
Total	127,511,992	203,836,788

40 Income in Foreign Currency

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
FOB value of Exports	421,852,074	387,128,660
Freight & Insurance Recoveries	5,594,700	10,089,561
Total	427,446,774	397,218,221

41 Expenditure in Foreign Currency

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Commission to Overseas Agents	8,525,536	2,415,981
Interest	1,583,138	10,061,290
Others	1,460,379	501,610
Total	11,569,053	12,978,881

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

42 Auditors Remuneration included in legal and professional fees (including service tax)

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Auditors' Remuneration		
Audit Fees (including branch auditor fee Rs. 350,000; Previous Period Rs. 450,000)	1,950,000	2,850,000
Tax Audit Fees	300,000	450,000
Certification	800,000	1,200,000
Out of Pocket Expenses (including branch auditor expenses Rs. 69,667; Previous Period Rs. 44,461)	478,692	401,511
Service Tax	376,980	540,750
Total	3,905,672	5,442,261

43 Directors Remuneration

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Salary and Allowance	3,499,296	5,134,332
Benefits and Perquisites	99,800	264,318
Bonus/Commission	1,200,000	1,800,000
Pension contribution to provident and superannuation fund	430,920	647,838
Total	5,230,016	7,846,488

44 Related Party Disclosures:

A Names of the related parties and description of relationship

I) Holding Company

Shapoorji Pallonji & Company Limited

II) Subsidiary

Gokak Power & Energy Limited

III) Fellow Subsidiaries

Forbes & Company Limited

Volkart Fleming Shipping & Services Limited

Eureka Forbes Limited

Forbes Doris & Naess Maritime Limited

Forbes Technosys Limited

Forvol International Services Limited

Shapoorji Pallonji Infrastructure Capital Company Limited

IV) Key Managerial Personnel

Mr. H. S. Bhaskar

Whole Time Director

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

B. Particulars of transaction with Related Parties

(Amount in ₹)

Year ended September 30, 2013 (₹) Eighteen Months ended September 30, 2012 (₹)	Holding Company	Subsidiary	Fellow Subsidiaries	Key Managerial Personnel	Total
Nature of Transactions					
Sales	1,843,645	–	326,631	–	2,170,276
Previous Year	163,532	–	88,493	–	252,025
Interest Received	–	–	–	–	–
Previous Year	–	–	–	–	–
Services Received	–	–	1,639,010	–	1,639,010
Previous Year	–	–	3,243,296	–	3,243,296
Interest Income	–	1,223,837	–	–	1,223,837
Previous Year	–	–	–	–	–
Rent	–	–	500,963	–	500,963
Previous Year	–	–	–	–	–
Purchase of Electricity	–	161,066,858	–	–	161,066,858
Previous Year	–	413,800	–	–	413,800
Remuneration	–	–	–	5,230,016	5,230,016
Previous Year	–	–	–	7,846,488	7,846,488
Advances/Loan Taken	–	–	–	–	–
Previous Year	530,000,000	–	–	–	530,000,000
Advances/Loan Taken Repaid	–	–	–	–	–
Previous Year	530,000,000	–	–	–	530,000,000

Particulars of transaction with Related Parties

(Amount in ₹)

Year ended September 30, 2013 (₹) Eighteen Months ended September 30, 2012 (₹)	Holding Company	Subsidiary	Fellow Subsidiaries	Key Managerial Personnel	Total
Advances/Loan Given	–	2,500,000	–	–	2,500,000
Previous Year	–	–	–	–	–
Advances/Loan Given Received back	–	2,500,000	–	–	2,500,000
Previous Year	–	–	–	–	–
Deposits Given	–	10,000,000	–	–	10,000,000
Previous Year	–	–	–	–	–
Investments in Equity Share Capital	–	–	–	–	–
Previous Year	–	250,145,000	–	–	250,145,000
Sale of Investment	–	–	–	–	–
Previous Year	–	–	245,000	–	245,000
Sale of Hydro Power (Slump Sale)	–	–	–	–	–
Previous Year	–	1,200,000,000	–	–	1,200,000,000
Expenses/Payments incurred on behalf	–	149,192,394	1,123,436	–	150,315,830
Previous Year	–	22,317,252	–	–	22,317,252
Reimbursement of Expenses	–	19,470,847	–	–	19,470,847
Previous Year	–	–	–	–	–
Receivables	2,420,466	–	1,631,541	–	4,052,007
Previous Year	740,353	15,919,820	1,174,909	–	17,835,082
Deposits Receivables	–	10,000,000	–	–	10,000,000
Previous Year	–	–	–	–	–
Payables	–	17,733,172	4,021,964	1,200,000	22,955,136
Previous Year	–	–	2,507,022	1,800,000	4,307,022

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

C. Details of Related Party Transactions

Nature of Transaction	Year ended September 30, 2013	Eighteen months ended September 30, 2012
	₹	₹
Sales		
Shapoorji Pallonji & Company Limited	1,843,645	163,532
Forbes & Company Limited	326,631	88,493
Services Received		
Forvol International Services Limited	260,265	383,272
Eureka Forbes Limited	94,526	81,599
Forbes & Company Limited	1,284,219	2,778,425
Interest Income		
Gokak Power & Energy Limited	1,223,837	-
Rent		
Forbes & Co Limited	500,963	-
Expenses/Payments incurred on behalf		
Gokak Power & Energy Limited	149,192,394	22,317,252
Forbes & Co Limited	1,033,937	-
Volkart Fleming Shipping & Services Limited	89,499	-
Reimbursement of Expense		
Gokak Power & Energy Limited	19,470,847	-
Purchase of Electricity		
Gokak Power & Energy Limited	161,066,858	413,800
Directors Remuneration		
Mr. H.S. Bhaskar	5,230,016	7,846,488
Advances/Loan Taken		
Shapoorji Pallonji & Company Limited	-	530,000,000
Advances/Loan Given		
Gokak Power & Energy Limited	2,500,000	-
Advances/Loan Taken Repaid		
Shapoorji Pallonji & Company Limited	-	530,000,000
Advances/Loan Given Received back		
Gokak Power & Energy Limited	2,500,000	-
Deposits Given		
Gokak Power & Energy Limited	10,000,000	-
Investments in Equity Shares		
Gokak Power & Energy Limited	-	250,145,000
Sale of Investment		
Shapoorji Pallonji Infrastructure Capital Company Limited	-	245,000
Sale of Hydro Power		
Gokak Power & Energy Limited	-	1,200,000,000
Services Rendered		
Eureka Forbes Limited	107,978	-
Receivables		
Shapoorji Pallonji & Company Limited	2,420,466	740,353
Eureka Forbes Limited	15,656	-
Forbes & Company Limited	1,615,885	1,174,909
Gokak Power & Energy Limited	-	15,919,820

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

Nature of Transaction	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Deposits Receivable		
Gokak Power & Energy Limited	10,000,000	—
Payables		
Gokak Power & Energy Limited	17,733,172	—
Volkart Fleming Shipping & Services Limited	910,501	1,000,000
Eureka Forbes Limited	—	35,750
Forvol International Services Limited	—	7,828
Forbes & Company Limited	3,111,463	1,463,444
Mr. H.S. Bhaskar	1,200,000	1,800,000

D Details in accordance with clause 32 of the listing agreement with the stock exchanges are as under:

Name of the Company	Nature of Transaction	Balance as at September 30, 2013	Maximum Balance during Year ended September 30, 2013	No. of shares of the Company held by the loanee as at September 30, 2013
Gokak Power and Energy Limited	Advance	—	2,500,000	Nil

45. Trade Payables and Trade Receivables are subject to independent balance confirmations and reconciliations. Management is of the opinion that no variance of a material sum is expected on such independent confirmations and reconciliations.

46 Segment information

The Company operates in 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.

47 The financial statements for the current year are for the period from October 1, 2012 to September 30, 2013, whereas the financial statements for the previous year are for a period of eighteen months, i.e from April 1, 2011 to September 30, 2012. Accordingly the current year's figures are not comparable with the previous period figures.

48 Figures of previous period have been regrouped/recast/rearranged wherever necessary, to conform to the current year's presentation.

**CONSOLIDATED
FINANCIAL STATEMENTS
FORMING PART OF
ANNUAL REPORT OF
GOKAK TEXTILES LIMITED
FOR THE
PERIOD ENDED SEPTEMBER 30, 2013**

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS' OF
GOKAK TEXTILES LIMITED

Report on the Consolidated Financial Statement

1. We have audited the accompanying consolidated financial statements of Gokak Textiles Limited and its subsidiary (the Group), which comprise the consolidated Balance Sheet as at September 30, 2013, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation, maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of other auditor on the financial statements, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at September 30, 2013;
 - b) in case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and
 - c) in case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matters

6. We did not audit the financial statements of subsidiary Gokak Power and Energy Limited, whose financial statements reflect the group's total assets of Rs. 1,319,070,761 as at September 30, 2013, the group's share of total revenues of Rs. 160,633,183 for the year ended on that date and net cash outflows amounting to Rs. 42,053,428 for the year ended on that date. These financial statements have been audited by other auditor whose report has been furnished to us and our opinion, insofar as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.
7. We report that the consolidated financial statements have been prepared by the management of Gokak Textiles Limited in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements.

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

Mumbai,
November 07, 2013.

Vinayak M Padwal
Partner
Membership No. 49639

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CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2013

Notes	As at September 30, 2013 ₹	As at September 30, 2012 ₹
EQUITY AND LIABILITIES		
Shareholder's fund		
Share Capital	4 64,993,080	64,993,080
Reserves and Surplus	5 (238,811,337) (173,818,257)	(174,676,867) (109,683,787)
Minority Interest	155,369,419	225,571,700
Non-current liabilities		
Long Term Borrowings	6 1,080,770,541	1,318,763,745
Deferred tax Liabilities (Net)	7 66,498,371	50,522,177
Long Term Provisions	8 21,255,809	18,611,909
	1,168,524,721	1,387,897,831
Current liabilities		
Short Term Borrowings	9 887,273,952	708,813,328
Trade Payables	10 455,938,146	252,384,587
Other Current Liabilities	11 405,821,129	421,209,114
Short-Term Provisions	12 5,739,058	22,945,483
	1,754,772,285	1,405,352,512
TOTAL	2,904,848,168	2,909,138,256
ASSETS		
Non-current assets		
Fixed Assets		
Tangible assets	13A 1,463,361,891	1,495,996,220
Intangible assets	13B 13,881,481	12,299,717
Capital Work in Progress	2,372,062	28,845,208
	1,479,615,434	1,537,141,145
Non Current Investments	14 50,002	50,002
Long-Term Loans And Advances	15 188,973,603	194,853,655
	1,668,639,039	1,732,044,802
Current assets		
Inventories	16 808,575,478	707,912,029
Trade Receivables	17 228,668,116	195,879,592
Cash And Cash Equivalents	18 86,595,118	141,428,885
Short-Term Loans And Advances	19 88,050,989	105,860,425
Other Current Assets	20 24,319,428	26,012,523
	1,236,209,129	1,177,093,454
TOTAL	2,904,848,168	2,909,138,256
Significant Accounting Policies	3	

The notes are an integral part of the these financial statements

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

Chairman

As per our Report attached of even date

H. S. BHASKAR

Executive Director & CEO

For and on behalf of

Kalyaniwalla & Mistry

Chartered Accountants

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

VASANT N. SANZGIRI

D G PRASAD

Directors

Vinayak M Padwal

Partner

GOVINDA R. KADEKAR

General Manager Finance

Mumbai, November 07, 2013

K. RAMANANDA PAI

Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Notes	Year ended September 30, 2013	Eighteen Months September 30, 2012
		₹	₹
REVENUE			
Revenue from operations (gross)	21	3,566,683,513	4,813,433,532
Less : Excise Duty		4,415,852	13,377,566
Revenue from operations (net)		3,562,267,661	4,800,055,966
Other Income	22	38,350,193	42,156,834
TOTAL REVENUE		3,600,617,854	4,842,212,801
EXPENSES			
Cost of Raw Materials Consumed	23	2,279,105,729	3,087,355,286
Purchase of Trading Goods	24	196,508	804,789
Change in Inventory of Finished Goods and Work in Progress	25	(75,791,394)	292,837,473
Employee Benefit Expenses	26	425,010,270	603,454,998
Fixed Assets Written Off	33	-	90,510,493
Other Expenses	27	651,922,099	934,116,957
Depreciation	13	117,823,269	204,974,508
Finance Costs	28	320,711,930	409,863,887
TOTAL EXPENSES		3,718,978,411	5,623,918,391
Loss before tax		(118,360,557)	(781,705,590)
Tax expense			
Current Tax		1,300,000	21,200,000
Minimum Alternate Tax Credit Entitlement		(1,300,000)	(21,200,000)
Deferred tax		15,976,194	(6,649,813)
Loss after tax before minority interest		(134,336,751)	(775,055,777)
Minority Interest		(70,202,281)	(14,528,300)
Loss after Tax		(64,134,470)	(760,527,477)
Basic and Diluted Earnings per share (in Rs)	35	(9.87)	(117.02)
Significant Accounting Policies	3		

The notes are an integral part of the these financial statements

As per our Report attached

For and on behalf of even date

Kalyaniwalla & Mistry

Chartered Accountants

Vinayak M Padwal

Partner

Mumbai, November 07, 2013

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director & CEO

ASHOK BARAT

C. G. SHAH

PRADIP N. KAPADIA

R. N. JHA

KAIWAN KALYANIWALLA

VASANT N. SANZGIRI

D G PRASAD

Directors

GOVINDA R. KADEKAR

General Manager Finance

K. RAMANANDA PAI

Company Secretary

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Year ended September 30, 2013 ₹	Eighteen Months ended September 30, 2012 ₹
A. Cash flow from operating activities:		
Loss before tax	(118,360,557)	(781,705,590)
Adjustments for:		
Depreciation	117,823,269	204,974,508
Interest income	(4,868,850)	(869,907)
Interest and financial charges	320,711,930	409,863,887
Profit on Sale of Fixed Assets	(894,708)	(543,711)
Dividend Income	-	(7,150)
Provision for Doubtful Debts	(59,853,006)	32,930,968
Fixed Assets written off	-	90,510,493
Operating profit/(loss) before working capital changes	<u>254,558,078</u>	<u>(44,846,502)</u>
Adjustments for :		
(Increase)/ Decrease in Inventories	(100,663,449)	383,509,351
(Increase)/ Decrease in Trade and other receivables	60,360,050	148,584,645
Increase/ (Decrease) in Trade payables and other liabilities	160,694,152	(152,378,025)
Cash generated from operations	<u>374,948,831</u>	<u>334,869,469</u>
Direct Taxes paid	(23,576,459)	(795,071)
Net cash from/ (used in) operating activities	<u><u>351,372,372</u></u>	<u><u>334,074,398</u></u>
B. Cash flow from investing activities		
Purchase of fixed assets	(60,377,849)	(49,686,188)
Sale of Fixed Assets	975,000	664,009
Interest received	1,989,912	869,907
Dividend received	-	7,150
Net cash from/(used in) investing activities	<u><u>(57,412,937)</u></u>	<u><u>(48,145,122)</u></u>
C. Cash flow from financing activities		
Proceeds/ (Repayments) of Borrowings from Banks and Financial Institutions	(28,825,176)	9,460,658
Proceeds of Borrowings from Holding Company	-	530,000,000
Repayment of Borrowings to Holding Company	-	(530,000,000)
Proceeds from issue of shares to minority shareholders	-	240,100,000
Interest paid	(319,968,026)	(409,863,887)
Net cash from/(used in) financing activities	<u><u>(348,793,202)</u></u>	<u><u>(160,303,229)</u></u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	<u><u>(54,833,767)</u></u>	<u><u>125,626,047</u></u>
Cash and Cash equivalents at the beginning of the year/period	<u>141,428,885</u>	<u>15,802,838</u>
Cash and Cash equivalents at the end of the year/period	<u><u>86,595,118</u></u>	<u><u>141,428,885</u></u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Year ended September 30, 2013 ₹	Eighteen Months ended September 30, 2012 ₹
D. Components of cash and cash equivalents		
Cash on Hand	1,146,822	1,978,304
Balances with banks:		
- In current accounts	9,291,072	78,341,392
- In deposit accounts	<u>76,157,224</u>	<u>61,109,189</u>
	<u>86,595,118</u>	<u>141,428,885</u>

Notes

- 1 Figures in brackets indicate cash outflow.
- 2 To finance the working capital requirements the Company's bankers have sanctioned a total fund based limit of Rs.10,600 Lac. Out of this limits utilised as on September 30, 2013 is Rs.7,298 Lac.
- 3 Deposit account includes amount of Rs.600 lacs placed in Debt Service Reserve Account against Term loan borrowed from Bank.

As per our Report attached of even date

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Mumbai, November 07, 2013

For and on behalf of the Board of Directors

SHAPOOR P. MISTRY *Chairman*
H. S. BHASKAR *Executive Director & CEO*

ASHOK BARAT
C. G. SHAH
PRADIP N. KAPADIA
R. N. JHA
KAIWAN KALYANIWALLA
VASANT N. SANZGIRI
D G PRASAD

} *Directors*

GOVINDA R. KADEKAR *General Manager Finance*
K. RAMANANDA PAI *Company Secretary*

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1 Corporate Information

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 Preparation

- i. The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.
- ii. The consolidated financial statements relate to M/s. Gokak Textiles Limited, the holding Company, and its subsidiary Gokak Power and Energy Ltd (collectively referred to as the Group). Gokak Textiles Limited holds 51% stake in the subsidiary Company. The consolidation of the financial statements of the Company with its subsidiary has been prepared in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements'. The financial statements of the parent and its subsidiary are combined on a line by line basis and intra group balances, intra group transactions and unrealised profits or losses are fully eliminated.

3 Accounting Policies

(a) 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. Difference between the actual and estimates are recognised in the period in which the results are known/materialised.

(b) Fixed Assets :

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from the exchange rates variances relating to liabilities attributable to fixed assets are expensed out. Cost of Leasehold Land and Building are amortised over the period of lease.

(c) Depreciation /Amortisation:

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.

(d) 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 whichever is lower.

(e) 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, Spares and Loose Tools	Weighted average
2	Raw Materials: (i) Cotton & Other Fibers (ii) Others	Specific identification for Mills unit and FIFO basis for Knitwear unit. Weighted average
3	Stock-in-Process	Aggregate of material cost and production overheads and other attributable expenses up to stage of completion.
4	Finished Goods: (i) Produced (ii) Traded Goods (a) Yarn (b) Textile	Aggregate of material cost, production overheads and excise duty paid / payable thereon. First-In-First-Out Weighted average

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

(f) 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.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

(g) Revenue Recognition :

Sales are accounted for on dispatch of goods to the customers, all significant contractual obligations have been satisfied and the collection of the resulting receivable is reasonably expected. Sales 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 time proportion basis. Revenue in respect of insurance/other claims, interest etc is recognised only when it is reasonably certain that the ultimate collection will be made.

(h) Operating Expenses :

Operating expenses and standing charges are charged to revenue on accrual basis.

(i) Foreign Exchange Transactions :

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 Statement of profit and loss. Gains or losses arising in respect of forward foreign exchange contracts or on cancellation thereof are recognised as income or expense.

(j) Provisions and Contingent Liability :

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.

(k) Grants :

Government grants, which relate to specific fixed assets, are treated as deferred income and recognised in the Statement of Profit and Loss 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 Statement of Profit and Loss over periods matching them with the related costs which they intended to compensate.

(l) Research and Development Expenditure :

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.

(m) Accounting for Taxes on Income :

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.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Credit Available in respect of MAT under the Income Tax Act, 1961, the said asset is created by way of a credit to the Profit & Loss Account and shown as MAT credit entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

(n) Earnings per Share :

The Company reports basic and diluted earnings per equity share in accordance with AS-20, Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

(o) 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 statement of profit and loss. 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.

(p) 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 Statement of Profit and Loss of the year in which the employee renders the related service.

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 Statement of 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 Statement of Profit and Loss.

4 Share Capital

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Authorised:				
Equity shares of ₹10/- each	7,000,000	70,000,000	7,000,000	70,000,000
Issued, Subscribed & paid up				
Equity shares of ₹10/- each fully paid	6,499,308	64,993,080	6,499,308	64,993,080
Total	6,499,308	64,993,080	6,499,308	64,993,080

(A) Reconciliation of equity shares outstanding at the beginning and end of the reporting year

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	6,499,308	64,993,080	6,499,308	64,993,080
Add : Shares issued during the year	—	—	—	—
Less : Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	6,499,308	64,993,080	6,499,308	64,993,080

(B) Terms/rights attached to equity shares

The company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share.

During the year ended September 30, 2013, the amount of per share dividend recognized as distributions to equity shareholders is NIL (September 30, 2012: NIL).

(C) Details of shares held by shareholders holding 5% of the aggregate shares in the Company

Name of the Shareholder	September 30, 2013		September 30, 2012	
	No.	%	No.	%
Shapoorji Pallonji & Company Ltd. (Holding Company)	4,780,845	73.56	4,780,845	73.56

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
(D) Buyback of Shares, Bonus Shares, ESOP and Shares issued for consideration other than cash

The company has not bought back any shares neither has it issued any bonus shares and shares under ESOP in the past five years. In the FY 2007-08; the company issued 6,449,308 shares to the shareholders of Forbes Gokak Limited pursuant to the Scheme of Demerger for consideration other than cash.

5 Reserves & Surplus

	September 30, 2013 ₹	September 30, 2012 ₹
Surplus/ (Deficit) in Statement of Profit and Loss		
Opening balance	(890,708,553)	(130,181,076)
(+) Net loss for the year/period	(64,134,470)	(760,527,477)
Closing Balance	(954,843,023)	(890,708,553)
General Reserve	716,031,686	716,031,686
Total	(238,811,337)	(174,676,867)

6 Long Term borrowings

	September 30, 2013 ₹	September 30, 2012 ₹
Secured		
Term Loans from Banks/Financial Institutions	1,080,770,541	1,318,763,745
Total	1,080,770,541	1,318,763,745

Terms of Repayment, Rate of Interest and Nature of Security of Long Term Borrowings

Particulars	September 30, 2013 ₹	September 30, 2012 ₹
1-2 Years	171,000,000	237,927,977
2-3 Years	152,378,435	172,674,768
3-4 years	118,964,000	151,012,049
Beyond 4 Years	638,428,106	757,148,951
Total	1,080,770,541	1,318,763,745

The above borrowings carry effective interest rates ranging from 7% p.a. to 14 % p.a.

Borrowings amounting to Rs.87,366,435 are secured by exclusive charge of hypothecation of movable/immovable fixed assets acquired/ to be acquired.

Borrowings amounting to Rs.993,404,106 are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired/ to be acquired.

Borrowings amounting to Rs.860,000,000 (including current maturities of Rs.68,800,000) are secured by ensuing 6 months Debt servicing obligation amounting to Rs.60,000,000 placed in Debt Service Reserve Account.

7 Deferred Tax Liability

	September 30, 2013 ₹	September 30, 2012 ₹
Deferred Tax Liability		
Depreciation	82,264,422	95,409,117
<u>Deferred Tax Asset</u>		
Provision For Doubtful Debts	11,095,961	37,419,730
Provision For Leave Encashment	3,322,360	5,198,403
Provision For Gratuity	1,347,730	2,268,807
	66,498,371	50,522,177

For the year ended September 30, 2013, in compliance with the Accounting Standard 22 the deferred tax asset on post demerger unabsorbed depreciation has been recognised to the extent of deferred tax liability on account of depreciation.

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

8 Long Term Provisions

	September 30, 2013	September 30, 2012
	₹	₹
Provision For Gratuity	9,484,285	6,695,713
Provision For Leave Encashment	11,771,524	11,916,196
Total	21,255,809	18,611,909

9 Short Term Borrowings

	September 30, 2013	September 30, 2012
	₹	₹
From Banks:		
Working Capital Loan (Secured)	724,065,945	512,078,199
Bills Discounted (Unsecured)	163,208,007	196,735,129
Total	887,273,952	708,813,328

Working Capital Loan is secured against hypothecation of all stocks including raw materials, work in progress, finished goods, stores and book debts.

10 Trade Payables

	September 30, 2013	September 30, 2012
	₹	₹
Due to Micro Small and Medium Scale Enterprises (Refer Note 31)	-	-
Due to Others (Refer Note 44)	455,938,146	252,384,587
Total	455,938,146	252,384,587

11 Other Current Liabilities

	September 30, 2013	September 30, 2012
	₹	₹
Current Maturities of Long Term Borrowings (Refer Note 6)	237,906,204	207,198,800
Advances from Customers	15,152,367	18,737,356
Deposits	9,962,341	12,205,195
Sales Tax Payable	3,537,427	3,702,770
Other Payables	128,926,772	169,772,878
Interest accrued but not due	10,336,018	9,592,114
Total	405,821,129	421,209,114

There are no amounts due for payments to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

12 Short Term Provisions

	September 30, 2013	September 30, 2012
	₹	₹
Provision for Taxation (Net of advance payment of taxes; Previous Period Rs.2,657,589)	-	18,542,411
Provision For Gratuity	276,285	297,067
Provision For Leave Encashment	5,462,773	4,106,005
Total	5,739,058	22,945,483

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

13. FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.10.2012	Addition	Deduction	As on 30.09.2013	As on 01.10.2012	For the Period / Year	On Deductions during the year/period	As on 30.09.2013	Balance as on 30.09.2013	Balance as on 30.09.2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
A. 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	606,583,706	7,651,892	-	614,235,598	222,320,507	19,610,129	-	241,930,636	372,304,962	384,263,199
Residential Building	83,230,369	-	-	83,230,369	18,806,448	1,350,762	-	20,157,210	63,073,159	64,423,921
Canal Lining	122,884	-	-	122,884	116,740	-	-	116,740	6,144	6,144
Plant and Machinery	3,231,659,891	77,191,800	8,702,406	3,300,149,285	2,215,584,198	92,927,503	8,702,406	2,299,809,295	1,000,339,990	1,016,075,693
Furniture, Fixtures and Office Equipment	74,209,609	153,303	-	74,362,912	47,739,464	3,137,206	-	50,876,670	23,486,242	26,470,145
Vehicles	16,389,927	-	337,500	16,052,427	13,878,258	525,433	257,208	14,146,483	1,905,944	2,511,670
Total Tangible Assets	4,014,591,836	84,996,995	9,039,906	4,090,548,925	2,518,595,616	117,551,033	8,959,614	2,627,187,035	1,463,361,891	1,495,996,220
Previous Year	4,261,326,547	17,735,083	264,469,794	4,014,591,836	2,475,952,809	203,979,420	161,336,613	2,518,595,616	1,495,996,220	-
B. Intangible Assets										
Computer Software	20,571,697	1,854,000	-	22,425,697	8,271,980	272,236	-	8,544,216	13,881,481	12,299,717
Total Intangible Assets	20,571,697	1,854,000	-	22,425,697	8,271,980	272,236	-	8,544,216	13,881,481	12,299,717
Previous Year	7,276,892	13,294,805	-	20,571,697	7,276,892	995,088	-	8,271,980	12,299,717	-

C. Additions to Fixed Assets includes interest capitalised under Accounting Standard 16 'Borrowing Cost' which is given as under:

Particulars	September 30, 2013	September 30, 2012
	₹	₹
Interest cost Capitalised	6,308,828	-

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

14 Non Current Investments

	September 30, 2013	September 30, 2012
	₹	₹
In unquoted equity shares of New India Co-Operative Bank	50,002	50,002
Total	50,002	50,002

15 Long Term Loans and Advances

	September 30, 2013	September 30, 2012
	₹	₹
Unsecured, considered good		
Advances Recoverable in cash or Kind for value to be received	4,613,471	3,211,398
Balances with Excise Authorities	81,227,260	94,151,723
Balances with Sales Tax Authorities	76,607,973	75,322,631
Deposits	21,490,853	22,167,903
Advance Tax (Net of Provision for Taxes; C.Y. Rs. 27,534,046)	5,034,046	-
Total	188,973,603	194,853,655

16 Inventories

	September 30, 2013	September 30, 2012
	₹	₹
Raw materials	171,442,981	153,706,062
Work in Progress	137,801,770	151,766,862
Finished goods	446,050,833	356,294,347
Stores and Spares including Fuel	52,205,367	45,064,582
Packing Material	1,074,527	1,080,176
Total	808,575,478	707,912,029

17 Trade Receivables (Refer Note 44)

	September 30, 2013	September 30, 2012
	₹	₹
Outstanding for a period exceeding six months		
Considered good	24,887,256	21,303,088
Considered doubtful	55,479,803	115,332,809
	80,367,059	136,635,897
Other Debts		
Considered good	203,780,860	174,576,504
Less: Provision for doubtful debts	55,479,803	115,332,809
Total	228,668,116	195,879,592

18 Cash and Bank Balances

	September 30, 2013	September 30, 2012
	₹	₹
Cash on Hand	1,146,822	1,978,304
Balances with banks		
In current accounts	9,291,072	78,341,392
In deposit accounts	76,157,224	61,109,189
Total	86,595,118	141,428,885

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
19 Short term Loans and advances

	September 30, 2013	September 30, 2012
	₹	₹
Unsecured, considered good		
Advances Recoverable in cash or Kind for value to be received	39,173,842	31,860,581
Prepaid Expenses	10,581,973	11,890,241
Advances to Suppliers	15,343,704	40,237,955
Minimum Alternate Tax Credit Entitlement	22,500,000	21,200,000
Other Receivables	451,470	671,649
Total	88,050,989	105,860,425

20 Other Current Assets

	September 30, 2013	September 30, 2012
	₹	₹
Interest Subsidy Receivable	8,940,490	13,512,523
Interest Accrued	2,878,938	–
Fixed assets held for sale	12,500,000	12,500,000
Total	24,319,428	26,012,523

21 Revenue from Operations

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Sale of		
Finished Goods	3,470,483,720	4,716,867,140
Trading Goods	103,879	896,797
Electricity	1,741,980	–
Processing Income	88,343,725	88,606,631
Other Sales	6,010,209	7,062,964
	3,566,683,513	4,813,433,532
<i>Less: Excise Duty</i>	4,415,852	13,377,566
Total	3,562,267,661	4,800,055,966

Details of Finished Goods Sold

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Grey Yarn	2,422,781,031	3,202,385,242
Blended Yarn	60,986,936	197,719,588
Dyed Yarn	541,374,689	712,808,320
Canvas	245,145,563	332,224,546
Apparels	177,996,536	261,646,075
Others	22,198,965	10,083,370
Total	3,470,483,720	4,716,867,141

Details of Trading Goods Sold

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Trading Cotton	103,879	896,797
Total	103,879	896,797

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

22 Other Income

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Interest Income	4,868,850	869,907
Export Benefits	18,231,012	15,145,382
Miscellaneous Income	9,710,999	25,597,834
Exchange Gain (Net)	4,644,624	-
Profit on Sale of Fixed Assets (Net)	894,708	543,711
Total	38,350,193	42,156,834

23 Cost of Raw Materials Consumed

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Opening Stock of Raw Material	153,706,061	230,811,082
Add : Purchases	2,296,842,649	3,010,250,265
	2,450,548,710	3,241,061,347
Less : Closing Stock of Raw Material	171,442,981	153,706,061
Total	2,279,105,729	3,087,355,286

Details of Raw Material Consumed

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Cotton	2,072,892,415	2,663,272,312
Staple Fibre	76,068,937	160,425,921
Bought Waste	26,856,287	112,164,944
Yarn	6,707,651	69,154,970
Others	96,580,439	82,337,139
Total	2,279,105,729	3,087,355,286

24 Purchase of Stock-in-trade

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Trading Stock	196,508	804,789
Total	196,508	804,789

25 Change In Inventory of Finished Goods and Work in Progress

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Closing Stocks: Finished goods	446,050,833	356,294,347
Work in Progress	137,801,770	151,766,862
	583,852,603	508,061,209
Opening Stocks: Finished goods	356,294,347	632,390,432
Work in Progress	151,766,862	168,508,250
	508,061,209	800,898,682
Total	(75,791,394)	292,837,473

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
Details of Inventory

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Finished Goods		
Grey Yarn	274,468,406	183,528,215
PC Yarn	7,277,920	6,476,793
Dyed Yarn	36,072,906	16,546,101
Canvas	63,909,262	60,169,054
Apparels	61,750,022	82,543,999
Terry Towel	1,997,726	6,904,760
Others	574,591	125,425
Total	446,050,833	356,294,347
Work in Progress		
Cotton Yarn	92,386,881	78,945,646
Loose Grey Cloth & Fabric	6,297,975	7,134,584
Apparels	39,116,914	65,686,632
Total	137,801,770	151,766,862

26 Employee Benefit Expense

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Salaries, Wages, Bonus and Exgratia	338,673,122	475,434,246
Contribution to Provident & Other Funds	51,361,438	73,890,216
Workmen and Staff Welfare Expenses	34,975,710	54,130,536
Total	425,010,270	603,454,998

27 Other Expenses

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Consumption of Stores & Spares	14,278,417	20,093,309
Consumption of Packing material	69,316,061	86,275,852
Power and Fuel	308,796,982	416,794,566
Water Royalty Charges	8,093,743	-
Processing Charges	2,171,816	5,319,170
Repairs & Maintenance		
Buildings	2,965,024	5,019,619
Plant & Machinery	37,127,797	61,436,663
Others	23,359,302	38,937,180
	63,452,123	105,393,462
Rent	9,704,701	18,515,616
Rates and Taxes	7,672,237	16,251,179
Insurance	10,818,360	11,939,476
Legal and Professional Fees	15,476,188	18,714,307
Hank Yarn Obligation	4,139,092	4,947,991
Printing & Stationery	2,166,374	3,046,282
Postage, Telegram and Courier Charges	3,772,938	5,996,956
Freight & Forwarding	43,310,616	57,646,635
Travelling and Conveyance	7,087,979	10,383,210
Commission and Discount	48,487,498	51,126,392
Marketing and Selling	6,255,216	10,342,862
Provision for Doubtful debts	(59,853,006)	32,930,968
Bad Debts	63,897,684	-
Excise Duty Paid	-	3,320,403
Directors' Meeting Fees	630,216	701,236
Exchange Loss (Net)	-	11,876,063
Miscellaneous Expenses	22,246,864	42,501,023
Total	651,922,099	934,116,957

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

28 Finance Cost

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Interest on		
Term Loan	141,869,671	103,205,694
Others	68,536,663	263,700,204
Other Borrowing Cost	10,305,596	38,690,315
Exchange Loss on foreign currency borrowings	-	4,267,674
Total	320,711,930	409,863,887

29 Contingent liabilities :

Contingent liabilities not provided in respect of :

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
a) Bills Discounted	22,052,045	26,509,850
b) Guarantees issued by bank	12,657,622	21,972,573
Corporate Guarantee to Other	-	-
c) Taxes in dispute :-		
Entry Tax/Special Entry tax	14,458,194	14,458,194
Income tax matters	300,912	300,912
Excise Demands	16,600,425	5,562,848
Provident Fund	2,810,682	2,810,682
d) Labour Matters in Dispute	4,986,272	4,986,272
e) Bonds given by Company in favour of Customs Authorities	478,320,557	478,320,557
f) Other Demands Contested by the Company		
Creditors Claim	71,471	71,471
Electricity Duty	955,893	955,893
	553,214,073	555,949,252

30 Notice dated 16th October 2013 seeking approval of Shareholders for divestment of Knitwear Division has been sent. The result of the ballot will be announced on 5th December 2013.

31 Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.4,809,872 (P.Y Rs.5,077,837).

32 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.

33 During the financial period 2011-12, the company has written off fixed assets amounting to Rs.90,510,493 mainly pertaining to spinning machines, speed frames, humidification plant, HFO plant and weaving machines. The company has scrapped these assets as they are technologically obsolete and in physically damaged condition.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
34 Gratuity

	September 30, 2013	September 30, 2012
	₹	₹
a) Change in Present Value of Obligation		
Present value of the obligation at the beginning of the year	138,460,647	131,205,773
Benefits earned during the year	10,846,099	15,510,736
Current Service Cost	6,832,253	9,538,487
Interest Cost	451,944	379,152
Past Service Cost - Vested Benefit	—	—
Actuarial (Gain) / Loss on Obligation	(3,155,040)	651,024
Benefits Paid	(8,294,952)	(18,824,525)
Present value of the obligation at the end of the year	145,140,951	138,460,647
b) Change in Plan Assets		
Fair value of Plan Assets at the beginning of the year	131,467,867	125,330,400
Expected return on Plan Assets	10,517,429	15,039,648
Actuarial Gain / (Loss) on Plan Assets	2,943,552	665,426
Contributions by Plan Participants	5,339,780	9,298,243
Benefits Paid	(9,087,691)	(18,865,850)
Fair value of Plan Assets at the end of the year	141,180,937	131,467,867
c) Amounts Recognised in the Balance Sheet		
Present value of Obligation at the end of the year	147,919,587	138,460,647
Fair value of Plan Assets at the end of the year	(138,402,301)	131,467,867
Funded Status	2,778,636	—
Net Obligation at the end of the year	9,517,286	6,992,780
d) Amounts Recognised in the Statement of Profit & Loss		
Current Service Cost	6,832,253	9,538,487
Interest cost on Obligation	11,298,043	15,889,888
Expected return on Plan Assets	(10,517,429)	(15,039,648)
Net Actuarial (Gain) / Loss recognised in the year	(6,098,592)	(14,402)
Past Service Cost - Vested Benefit recognised in the year	—	—
Expenses recognized in Profit & Loss Account	1,514,275	10,374,325
e) Actual return on Plan Assets		
Expected return on Plan Assets	10,517,429	15,039,648
Actuarial Gain / (Loss) on Plan Assets	2,943,552	665,426
Actual return on Plan Assets	13,460,981	15,705,074
f) Actuarial Assumptions		
i) Discount Rate	9.25%	8.25%
ii) Expected Rate of Return on Plan Assets	8.60%	8.60%
iii) Salary Escalation Rate	4.00%	4.00%
iv) Attrition Rate	2.00%	2.00%
v) Mortality	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

35 In the opinion of the Management, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all liabilities is adequate and not in excess of the amount reasonably necessary.

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

36 Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Net (Loss)/Profit after tax (Rs.)	(64,134,470)	(760,527,477)
Weighted average number of Equity Shares outstanding	6,499,308	6,499,308
Nominal Value of Share (Rs.)	10	10
Basic and Diluted Earnings per share (in Rs.)	(9.87)	(117.02)

37 Break-up of details of consumptions of Raw Materials & Stores and Spares

Particulars	Year ended September 30, 2013		Eighteen Months ended September 30, 2012	
	₹	%	₹	%
Raw Material				
Imported	153,819,070	6.75	172,014,877	5.58
Indigenous	2,125,286,659	93.25	2,913,089,484	94.42
Total	2,279,105,729	100	3,085,104,361	100
Stores and Spares				
Imported	13,994,128	17.08	30,700,524	28.86
Indigenous	67,960,299	82.92	75,668,637	71.14
Total	81,954,426	100	106,369,161	100

38 CIF Value of Imports

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Raw Materials	117,249,114	176,306,245
Stores and Spares	10,262,878	27,530,543
Total	127,511,992	203,836,788

39 Income in Foreign Currency

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
FOB value of Exports	421,852,074	387,128,660
Freight & Insurance Recoveries	5,594,700	10,089,561
Total	427,446,774	397,218,221

40 Expenditure in Foreign Currency

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Commission to Overseas Agents	8,525,536	2,415,981
Interest	1,583,138	10,061,290
Others	1,460,379	501,610
Total	11,569,053	12,978,881

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013
41 Directors Remuneration

	Year ended September 30, 2013	Eighteen Months ended September 30, 2012
	₹	₹
Salary and Allowance	3,499,296	5,134,332
Benefits and Perquisites	99,800	264,318
Bonus/Commission	1,200,000	1,800,000
Pension contribution to provident and superannuation fund	430,920	647,838
Total	5,230,016	7,846,488

42 Related Party Disclosures:
A Names of the related parties and description of relationship
I) Holding Company

Shapoorji Pallonji & Company Limited

II) Subsidiary

Gokak Power & Energy Limited

III) Fellow Subsidiaries

Forbes & Company Limited

Volkart Fleming Shipping & Services Limited

Eureka Forbes Limited

Forbes Technosys Limited

Forbes Doris & Naess Maritime Limited

Forvol International Services Limited

Shapoorji Pallonji Infrastructure Capital Company Limited

IV) Key Managerial Personnel

Mr. H. S. Bhaskar

Whole Time Director

B. Particulars of transaction with Related Parties

(Amount in ₹)

Year ended September 30, 2013 (₹) Eighteen Months ended September 30, 2012 (₹)	Holding Company	Fellow Subsidiaries	Key Managerial Personnel	Total
Nature of Transactions				
Sales	1,843,645	326,631	–	2,170,276
Previous Year	163,532	88,493	–	252,025
Services Received	–	1,639,010	–	1,639,010
Previous Year	–	3,243,296	–	3,243,296
Rent	–	500,963	–	500,963
Previous Year	–	–	–	–
Remuneration	–	–	5,230,016	5,230,016
Previous Year	–	–	7,846,488	7,846,488
Advances/Loan Taken	–	–	–	–
Previous Year	530,000,000	–	–	530,000,000
Advances/Loan Taken Repaid	–	–	–	–
Previous Year	530,000,000	–	–	530,000,000
Sale of Investment	–	–	–	–
Previous Year	–	245,000	–	245,000
Expenses/Payments incurred on behalf	–	1,123,436	–	1,123,436
Previous Year	–	–	–	–
Receivables	–	–	–	–
Previous Year	740,353	1,174,909	–	1,915,262
Payables	–	–	–	–
Previous Year	–	2,507,022	1,800,000	4,307,022

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CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

C. Details of Related Party Transactions

Nature of Transaction	Year ended September 30, 2013	Eighteen months ended September 30, 2012
	₹	₹
Sales		
Shapoorji Pallonji & Company Limited	1,843,645	163,532
Forbes & Company Limited	326,631	88,493
Services Received		
Forvol International Services Limited	260,265	383,272
Eureka Forbes Limited	94,526	81,599
Forbes & Company Limited	1,284,219	2,778,425
Rent		
Forbes & Company Limited	500,963	–
Expenses/Payments incurred on behalf		
Forbes & Co Limited	1,033,937	–
Volkart Fleming Shipping & Services Limited	89,499	
Directors Remuneration		
Mr. H.S. Bhaskar	5,230,016	7,846,488
Advances/Loan Taken		
Shapoorji Pallonji & Company Limited	–	530,000,000
Advances/Loan Taken Repaid		
Shapoorji Pallonji & Company Limited	–	530,000,000
Sale of Investment		
Shapoorji Pallonji Infrastructure Capital Company Limited	–	245,000
Services Rendered		
Eureka Forbes Limited	107,978	–
Receivables		
Shapoorji Pallonji & Company Limited	2,420,466	740,353
Eureka Forbes Limited	15,656	–
Forbes & Company Limited	1,615,885	1,174,909
Payables		
Volkart Fleming Shipping & Services Limited	910,501	1,000,000
Eureka Forbes Limited	–	35,750
Forvol International Services Limited	–	7,828
Forbes & Company Limited	3,111,463	1,463,444
Mr. H.S. Bhaskar	1,200,000	1,800,000

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

43 Segment Information

Particulars	Textile ₹	Electricity & Power ₹	Total ₹
Segment Revenue:			
Total External Revenue	3,593,820,238	1,928,766	3,595,749,004
Inter Segment Revenue	–	155,316,916	155,316,916
Net turnover before Inter-Segment Eliminations	3,593,820,238	157,245,682	3,751,065,920
Less: Inter-Segment Elimination	–	(155,316,916)	(155,316,916)
Net Turnover	3,593,820,238	1,928,766	3,595,749,004
Segment Results:			
Profit/(Loss) before Tax and Interest and before Inter-Segment Elimination	76,767,271	84,621,004	161,388,275
Less: Inter-Segment Elimination (Expense)/Income	(155,316,916)	119,222,668	(36,094,248)
Profit/(Loss) before Tax and Interest and after Inter-Segment Elimination	232,084,187	(34,601,664)	197,482,523
Add: Interest Expense (Net)	–	–	315,843,080
Add: Unallocated Expenses			–
Profit / (Loss) Before Tax			(118,360,557)
Taxes			15,976,194
Net Profit /(Loss) After Tax			(134,336,751)
Segment Assets:			
Segment Assets	2,463,408,005	318,370,509	2,781,778,514
Unallocated Assets	–	–	123,069,654
Total Assets			2,904,848,168
Segment Liabilities:			
Segment Liabilities	1,518,722,513	9,063,359	1,527,785,872
Unallocated Liabilities			1,550,880,553
Total Liabilities			3,078,666,425
Capital Employed:			
Unallocated Capital & Reserves			(173,818,258)
Other Information:			
Capital Expenditure			
Depreciation	104,300,582	13,522,687	117,823,269

Notes:

- 1) Segment report of Gokak Textiles Limited and its subsidiaries has been prepared in accordance with the AS 17 “Segment Reporting” issued pursuant to the Companies (Accounting Standard) Rules, 2006.
- 2) Segment revenue, results, assets and liabilities include amounts that are directly attributable to the respective segments. Amounts not directly attributable have been allocated to the segments on the best judgment of the management. Expenses not directly allocable to the segments are treated as “Unallocated Expenses”
- 3) Segment revenues, expenses and results include transfers between business segments. Such transfers are undertaken either at competitive market prices charged to unaffiliated customers for similar goods or at contracted rates. These transfers are eliminated on consolidation.

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- 44. Trade Payables and Trade Receivables are subject to independent balance confirmations and reconciliations. Management is of the opinion that no variance of a material sum is expected on such independent confirmations and reconciliations.
- 45 The financial statements for the current year are for the period from October 1, 2012 to September 30, 2013, whereas the financial statements for the previous year are for a period of eighteen months, i.e from April 1, 2011 to September 30, 2012. Accordingly the current year's figures are not comparable with the previous period figures.
- 46 Figures of previous year have been regrouped/recast/rearranged wherever necessary, to conform to the current period's presentation.

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: 30px;" type="text" value="30"/> <input style="width: 30px;" type="text" value="09"/> <input style="width: 30px;" type="text" value="2013"/>	
	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="2,767,662"/>	Total Assets	<input style="width: 100%;" type="text" value="2,767,662"/>
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="1,168,560"/>
Reserves and Surplus	<input style="width: 100%;" type="text" value="6,35,511"/>	Investments	<input style="width: 100%;" type="text" value="249,950"/>
Secured Loan	<input style="width: 100%;" type="text" value="289,571"/>	Current Assets	<input style="width: 100%;" type="text" value="1,349,152"/>
Current Liabilities	<input style="width: 100%;" type="text" value="1,711,089"/>		
Deferred Tax Liability (Net)	<input style="width: 100%;" type="text" value="66,498"/>		

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

Turnover	<input style="width: 100%;" type="text" value="3,595,302"/>
Total Expenditure	<input style="width: 100%;" type="text" value="3,724,485"/>
Profit / Loss before tax	<input style="width: 100%;" type="text" value="(129,184)"/>
Profit / Loss after tax	<input style="width: 100%;" type="text" value="(145,160)"/>
Earning per share in Rs.	<input style="width: 100%;" type="text" value="(22.33)"/>
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"/>

SHAPOOR P. MISTRY	<i>Chairman</i>		
H. S. BHASKAR	<i>Executive Director & CEO</i>	R. N. JHA	}
		KAIWAN KALYANIWALLA	
		VASANT N. SANZGIRI	
		D G PRASAD	}
ASHOK BARAT	}		<i>Directors</i>
C. G. SHAH			
PRADIP N. KAPADIA		<i>Director</i>	
		GOVINDA R. KADEKAR	<i>General Manager Finance</i>
		K. RAMANANDA PAI	<i>Company Secretary</i>

GOKAK POWER & ENERGY LIMITED
A SUBSIDIARY COMPANY



- DIRECTORS** : SHAPOOR P. MISTRY – *Chairman*
H.S.BHASKAR
S. MUKUNDAN
C. G. SHAH
KAIWAN KALYANIWALLA
- PRINCIPAL BANKERS** : ICICI BANK LTD
- AUDITORS** : MURUGESH & CO.
- REGISTERED & CORPORATE OFFICE** : NO.24, 29TH MAIN
BTM LAYOUT II STAGE
BANGALORE - 560 076
- PLANTS** : 1. GOKAK FALLS- 591 308 (DISTRICT BELGAUM-KARNATAKA)
2. VILLAGE: DHUPDAL , ARABHAVI HOBLI,
TAL: GOKAK , DIST. BELGAUM

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DIRECTORS' REPORT

To,
The Shareholders

Your Directors are pleased to submit their Second Report and Audited Accounts of the Company for the year ended 30th September, 2013.

1. FINANCIAL RESULTS:

The summarized financial results are set out below :

(Rs. in Lakhs)

Particulars	For the year from 01.10.2012 to ended 30 th September, 2013	For the year from 17.01.2012 to ended 30 th September, 2012
(a) Gross Revenue	1606.33	4.13
Less: Costs	230.08	48.63
(b) Balance	1376.25	(44.50)
Less: Interest	1132.79	(246.77)
(c) Cash Profit/(Loss)	243.46	(291.27)
Less: Depreciation	496.17	4.03
(d) Loss after depreciation carried to Balance Sheet	(252.71)	(295.30)
Less: Provisions for taxation	-	-
Net Loss	(252.71)	(295.30)

2. SHARE CAPITAL & DIVIDEND:

The Paid up Share Capital of the Company is Rs.49 crores. As Company has incurred Net Loss of Rs. 252.71 lakhs in the financial year 2012-2013, your Directors do not recommend any dividend for the year.

3. OPERATIONS :

This is the 2nd year of the Company. During the year under review, on a turnover of Rs.1606.33 lakhs, the Company has incurred net loss of Rs.252.71 lakhs. The previous year figures are not comparable, as the plant was transferred on 27.09.2013 and the Company had only 4 days of commercial production.

4. DIRECTORS:

Mr.S.Mukundan,, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.H.S.Bhaskar, Managing Director of the Company was being re-appointed as Managing Director of the Company for the period of 3 years with effect from 31-7-2013.

5. DIRECTORS RESPONSIBILITY STATEMENT:

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

- a. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- b. that they have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c. that 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 Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that they have prepared the annual accounts on a going concern basis.

6. AUDITORS AND AUDIT REPORT:

Messrs. Murugesh & Co., Chartered Accountants are reappointed the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting of the Company to the conclusion of the next Annual General Meeting of the Company and they are eligible for reappointment.

7. 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 the Directors) Rules, 1988 are set out in Annexure to this report.

8. 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.

9. OUTLOOK:

The monsoon in the catchment area of Ghataprabha River is better this year when compared to previous financial year. Hidkal Dam which has capacity of 49 TMC filled up much faster than previous year. Overall command area of Ghataprabha Dam is increasing year-by-year and hence the water usage for agriculture is substantially going up. Government of Karnataka is further investing money to increase the command area. As a result of this, even though the rainfall was quite satisfactory, the overall level in the Dam is lower when compared to previous year by 3.5 TMC. This may ultimately put pressure on release of water of 284 cusecs for generation of power by the company.

The generation of power during the current monsoon upto 30th September, 2013 is quite satisfactory. But, in the coming days generation will be affected, as a result of lower water level at Hidkal Dam. Your Company has made various representations to Government for release of sufficient water for power generation.

Your Company is eligible for Renewable Energy Certificates after successfully implementing the grid connectivity. Company was also expecting substantial revenue from sale of Renewable Energy Certificates in the power exchange. But, due to lack of strict implementation of Renewable Energy Certificates Policy, the traded volume of Renewable Energy Certificates is below 2% of



the available Renewable Energy Certificates. In case, the demand of Renewable Energy Certificates does not improve, the company will suffer a revenue loss of more than Rs. 6 Cr. per annum. Company will continue to make representations to State Government as well as Central Government for strict implementation of Renewable Energy Certificates Policy.

10. ACKNOWLEDGEMENT:

Your Directors wish to place on record their sincere appreciation for the assistance given by the Company's Bankers and acknowledge that their support has been a source of considerable strength. The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge with thanks all other stakeholders for their valuable sustained support and encouragement. Your Directors look forward to receiving similar support and encouragement from all stakeholders in the years ahead.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
7th November, 2013.

Registered Office :
No.24, 29th Main, BTM Layout II Stage
Bangalore – 560 076

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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 2012-13:

1. Replaced ordinary ballast by new Electronic ballast in the tube lights.
2. Water leakages in shaft sleeves, pipelines and glands attended to reduce Dewatering pump / drainage pump operation
3. Continually monitored and attended oil leakages in HMC panel and gearbox to reduce the auxiliary pump motor operation.

(b) ADDITIONAL INVESTMENT PROPOSALS:

1. Replacement of ordinary ballast by new electronic ballast in tube lights.
2. Replacement of CFL/LED Type Street lights in place of sodium vapor lamps.
3. Oil leakages and water leakages to be attended to reduce the auxiliary pump operation.
4. Water leakage in RCC penstock to be attended, to save water and thereby increase the generation.



INDEPENDENT AUDITOR'S REPORT

To the Members of

GOKAK POWER & ENERGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of M/s. **GOKAK POWER & ENERGY LIMITED** ("the Company"), which comprise the Balance Sheet as at September 30, 2013, the Statement of Profit and Loss & Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
- (b) in case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date;
- (c) in case of Cash Flow Statement, of the Cash flows for the year ended on that date;

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For MURUGESH & Co.,
Chartered Accountants
FRN 002233S

H.B.M.MURUGESH
Proprietor
M. No. 020497

Place : Bangalore
Date : November 07, 2013

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ANNEXURE TO THE AUDITOR'S REPORT

(Annexure referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements)

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
(b) In our opinion and according to the information and explanations given to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
(c) In our opinion and according to the information and explanations given to us, substantial portion of fixed asset has not been disposed of during the year and therefore does not affect the going concern assumption.
- ii. Since the Company has no inventory, the provisions of the clause (ii)(a), (ii)(b) and (ii)(c) of the order are not applicable.
- iii. (a) In our opinion and according to the information and explanations given to us, the Company has not granted interest free unsecured loans to parties listed in the register maintained under Section 301 of the Act.
(b) The Company has not taken unsecured loans from directors and their relatives and the terms of such loans are not prejudicial to the interest of the Company.
- iv. 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 fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
- v. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements that need to be entered in to the register maintained under the Section 301 of the Companies Act are being entered.
(b) In our opinion and according to the information and explanations given to us and in our opinion, the transactions entered into by the Company with parties covered u/s 301 of the Act have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
- vi. The Company has not accepted any deposits from the public covered under Section 58A and 58AA of the Companies Act, 1956.
- vii. In our opinion, as per information and explanations given by the management, the internal audit system is commensurate with the size of the Company and the nature of its business.
- viii. According to the information and explanations given to us, the Central government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, for any of any products of the Company.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 30th September, 2013 for a period of more than six months from the date they became payable.
(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
- x. Since the Company is registered for a period less than five year, the Provision the clause (x) of the order is not applicable.
- xi. In our opinion and according to the information & explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii. In our opinion and 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, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi /mutual benefit fund/society.
- xiv. The Company is not dealing or trading in Shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
- xvi. According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that the funds raised on short-term basis have not been used for long term investment and vice versa.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at September 30, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
- xix. According to the information and explanation given to us, the Company has not issued any debentures during the period under audit.
- xx. According to the information and explanation given to us, the Company has not raised any money by public issue during the year.
- xxi. According to the information and explanations give to us, no fraud on or by the Company has been noticed or reported during the course of audit

For MURUGESH & Co.,
Chartered Accountants
FRN 002233S

H.B.M.MURUGESH
Proprietor

M. No. 020497

Place : Bangalore
Date : November 07, 2013

**BALANCE SHEET AS AT SEPTEMBER 30, 2013**

	Note	September 30, 2013	September 30, 2012
		₹	₹
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital	4	490,000,000	490,000,000
(b) Reserves and Surplus	5	(54,801,306)	(29,530,175)
		<u>435,198,694</u>	<u>460,469,825</u>
2 Non-current liabilities			
(a) Long Term Borrowings	6	791,200,000	860,000,000
(b) Deferred tax liabilities (Net)		—	—
(c) Other Long Term Liabilities		—	—
(d) Long Term Provisions		3,644,415	—
		<u>794,844,415</u>	<u>860,000,000</u>
3 Current liabilities			
(a) Short Term Borrowings		—	—
(b) Trade payables		—	—
(c) Other Current Liabilities	7	89,027,652	16,954,594
(d) Short-Term Provisions		—	—
TOTAL		<u><u>1,319,070,761</u></u>	<u><u>1,337,424,419</u></u>
II. ASSETS			
1 Non-current assets			
(a) Fixed Assets			
Tangible assets	8	1,215,210,975	1,199,596,489
Intangible assets		—	—
Capital Work in Progress		96,068	16,333,620
		<u>1,215,307,043</u>	<u>1,215,930,109</u>
(b) Non Current Investments		—	—
(c) Long-Term Loans and advances		—	—
		<u>1,215,307,043</u>	<u>1,215,930,109</u>
2 Current Assets			
(a) Inventories		—	—
(b) Trade Receivables	9	17,987,700	—
(c) Cash And Cash Equivalents	10	78,715,513	120,768,941
(d) Short-Term Loans and advances	11	7,060,505	725,369
(e) Other Current Assets		—	—
		<u>103,763,718</u>	<u>121,494,310</u>
TOTAL		<u><u>1,319,070,761</u></u>	<u><u>1,337,424,419</u></u>

Significant Accounting Policies 1-3

The notes are an integral part of the these financial statements
As per our Report attached

For and on behalf of

MURUGESH & CO.,

Chartered Accountants

Firm Reg No. 002233S

H B M MURUGESH

Proprietor

Membership No.: 020497

Bangalore

Date: November 07, 2013

Signatures to Balance Sheet and Schedules

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director

S. MUKUNDAN

Director

C. G. SHAH

Director

KAIWAN KALYANIWALLA

Director

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PROFIT AND LOSS FOR THE PERIOD YEAR ENDED SEPTEMBER 30, 2013

	Note	September 30, 2013 ₹	September 30, 2012 ₹
REVENUE			
Revenue from operations	12	157,058,896	413,800
Other Income		3,574,287	-
TOTAL REVENUE		160,633,183	413,800
EXPENSES			
Cost of Raw Materials Consumed			
Employee Benefit Expenses	13	6,720,183	51,212
Other expenses	14	16,287,561	4,811,927
Depreciation	8	49,616,935	403,511
Finance Costs	15	113,279,634	24,677,325
Total expenses		185,904,314	29,943,975
Profit before tax		(25,271,131)	(29,530,175)
<u>Tax expense:</u>			
Current tax			
Current year		-	-
Adjustments of earlier years		-	-
Deferred tax		-	-
Profit for the year		(25,271,131)	(29,530,175)
Earnings per share (in Rs) (Basic and Diluted)		(0.52)	(19.60)
Significant Accounting Policies	3		

The notes are an integral part of the these financial statements
As per our Report attached

For and on behalf of

MURUGESH & CO.,

Chartered Accountants

Firm Reg No. 002233S

H B M MURUGESH

Proprietor

Membership No.: 020497

Bangalore

Date: November 07, 2013

Signatures to Balance Sheet and Schedules

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director

S. MUKUNDAN

Director

C. G. SHAH

Director

KAIWAN KALYANIWALLA

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Particulars	Year ended 30.09.2013		Year ended 30.09.2012	
	₹	₹	₹	₹
A. Cash Flow from Operating Activities :				
Profit/(Loss) for the year		(25,271,131)		(29,530,175)
<i>Adjustments for:</i>				
Depreciation for the year(Net of adjustments,if any)	49,616,935		403,511	
Finance Cost	113,279,634		24,677,325	
Interest & Dividend Income	(3,387,501)		–	
Provision for Long Term	3,644,415			
(Profit)/Loss on Sale of Fixed Assets	–	163,153,483	–	25,080,836
Operating Profit (before working capital changes)	137,882,352		(4,449,339)	
<i>Adjustments for:</i>				
Receivables	(17,987,700)		–	
Short Term Loans Advances & Other Current Assets	(6,335,136)		(725,369)	
Current Liabilities	72,073,058	47,750,222	16,954,594	16,229,225
Cash Flows from Operations (before Interest and Tax)		185,632,574		11,779,886
Income Tax paid	–		–	
Wealth Tax paid	–	–		–
Net cash from operating activities		185,632,574		11,779,886
B. Cash Flow from Investing Activities :				
Purchase of Fixed assets	(48,993,869)		(1,216,333,620)	
Interest received	3,387,501	–		
Profit on Sale of Fixed Assets	–		–	
Net cash used in investing activities		(45,606,368)		(1,216,333,620)
C. Cash Flow from Financing Activities :				
Proceeds from Issue of Shares	–		490,000,000	
Long Term Borrowings and Provision	(68,800,000)		860,000,000	
Finance Cost (Excl Exchange Loss)	(113,279,634)		(24,677,325)	
Foreign Exchange Fluctuations	–		–	
Net cash from financing activities		(182,079,634)		1,325,322,675
Net increase/ (decrease) in cash and cash equivalents		(42,053,428)		120,768,941
Cash and cash equivalents as at beginning		120,768,941		–
Cash and cash equivalents as at closing		78,715,513		120,768,941

As per our Report attached

For and on behalf of

MURUGESH & CO.,*Chartered Accountants*

Firm Reg No. 002233S

H B M MURUGESH*Proprietor*

Membership No.: 020497

Bangalore

Date: November 07, 2013

For GOKAK POWER AND ENERGY LIMITED

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director

S. MUKUNDAN

Director

C. G. SHAH

Director

KAIWAN KALYANIWALLA

Director

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1 Corporate Information

Gokak Power and Energy Limited is Public Company incorporated on 17th January 2012 under the provisions of Companies Act 1956. The Company is in the business of generation/producing electric power. The Company has 10.8 MW of Hydro power plant. The Company is selling power generated from this combination of long term Power Purchase Agreements and on merchant basis.

2 Preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

3 Accounting Policies

(a) 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.

(b) Fixed Assets :

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from the exchange rates variances relating to liabilities attributable to fixed assets are expensed out.

(c) Depreciation /Amortisation:

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.

(d) 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.

(e) 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.

(f) Revenue recognition :

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

(g) Operating expenses :

Operating expenses and standing charges are charged to revenue on accrual basis.

(h) Provisions and Contingent Liability

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.

(i) Accounting for Taxes on Income

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.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013****(j) Earnings per Share**

The Company reports basic and diluted earnings per equity share in accordance with AS-20, on Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

(k) 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.

4 Share Capital

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Authorised:				
Equity shares of ₹10/- each	49,000,000	490,000,000	49,000,000	490,000,000
Issued, Subscribed & paid up				
Equity shares of ₹10/- each fully paid	49,000,000	490,000,000	49,000,000	490,000,000
Total	49,000,000	490,000,000	49,000,000	490,000,000

(A) Reconciliation of equity shares outstanding at the beginning and end of the reporting year

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	49,000,000	490,000,000	49,000,000	490,000,000
Add : Shares issued during the year	—	—	—	—
Less : Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	49,000,000	490,000,000	49,000,000	490,000,000

(B) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 30th September 2012, the amount of per share dividend recognized as distributions to equity shareholders is NIL .

(C) Details of shares held by shareholders holding 5% of the aggregate shares in the Company

Name of the Shareholder	September 30, 2013		September 30, 2012	
	No.	%	No.	%
Gokak Textiles Limited	24,990,000	51	4,990,000	51
Shapoorji Pallonji Infrastructure Capital Company Limited	2,410,000	49	2,410,000	49

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

5 Reserves & Surplus

	September 30, 2013 ₹	September 30, 2012 ₹
General Reserve		
Opening Balance	(29,530,175)	–
(+) Transfer from Profit and Loss	(25,271,131)	(29,530,175)
(-) Utilised for creation of Capital redemption reserve	–	–
(-) Utilised for premium on buy back of shares	–	–
Closing Balance	(54,801,306)	(29,530,175)
Surplus in Statement of Profit and Loss		
Opening balance	–	–
(+) Net profit for the current year	(54,801,306)	(29,530,175)
(-) Transfer to General Reserve	–	–
Closing Balance	(54,801,306)	(29,530,175)

6 Long Term borrowings

	September 30, 2013 ₹	September 30, 2012 ₹
Secured		
Term Loan	791,200,000	860,000,000
Total	791,200,000	860,000,000

Nature of Security : First ranking mortgage/hypothecation/assignment/security interest /charge /pledge on all the moveable, immovable both present and future, all rights,titles,permits,approvals and interests of the Company in, to and in respect of all the assets of the Company, all clearances in relation to the project as well as in the project documents, all contractor guarantees, performance bonds and any letter of credit provided to the Company, all insurance contracts,all bank accounts in relation to the project and pledge of equity shares representing 30% of the shares.

Note: The Borrower shall maintain a DSRA during the currency of the facility equivalent to an amount equal to ensuing 6 months Debt servicing obligation.

7 Other Current Liabilities

	September 30, 2013 ₹	September 30, 2012 ₹
Current Maturities of Long Term Borrowings	68,800,000	–
Interest Accrued but not due	4,808,708	883,562
Audit Fee payable	112,360	100,000
Deposits	10,000,000	51,212
Other Payables	5,306,584	15,919,820
Total	89,027,652	16,954,594

There are no amounts due for payments to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

8 Fixed Assets

Description of Assets	GROSS BLOCK					DEPRECIATION			NET BLOCK	
	Opening Rupees	Addition Rupees	Deductions Rupees	Gross Rupees	Cumulative depreciation upto 01.10.12 Rupees	Depreciation for the year Rupees	Cumulative depreciation upto 30.09.13 Rupees	As on 30th Sep, 2013 Rupees		
A. Tangible Assets										
Building	735,409,772	7,651,892	-	743,061,664	201,885	24,599,096	24,800,981	718,260,683		
Plant and Machinery	464,520,000	57,512,453	-	522,032,453	201,589	24,959,276	25,160,865	496,871,588		
Furniture, Fixtures and Office Equipment	70,228	13,076	-	83,304	37	4,563	4,600	78,704		
Total Tangible Assets	1,200,000,000	65,177,421	-	1,265,177,421	403,511	49,562,935	49,966,446	1,215,210,975		
Previous Year	-	1,200,000,000	-	1,200,000,000	-	403,511	403,511	1,199,596,489		
B. Intangible Assets										
Computer Software	-	54,000	-	54,000	-	54,000	54,000	-		
Total	-	54,000	-	54,000	-	54,000	54,000	-		
Previous Year	-	-	-	-	-	-	-	-		

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

9 Trade Receivable

	September 30, 2013 ₹	September 30, 2012 ₹
Outstanding for more than 6 months	—	—
Others	17,987,700	—
Total	17,987,700	—

10 Cash and Bank Balances

	September 30, 2013 ₹	September 30, 2012 ₹
Cash on Hand	35,096	600
<u>Balances with banks</u>		
In Current accounts	78,680,417	120,768,341
Total	78,715,513	120,768,941

11 Short-term Loans and advances

	September 30, 2013 ₹	September 30, 2012 ₹
Unsecured, considered good		
Prepaid Expenses	2,579,090	725,369
Interest Accrued	2,878,938	—
Advance to Suppliers	1,602,477	—
Total	7,060,505	725,369

12 Revenue from Operations

	September 30, 2013 ₹	September 30, 2012 ₹
Revenue from Operations		
Sale of Products	157,058,896	413,800
Other Income	3,574,287	—
Total	160,633,183	413,800

13 Employee Benefit Expense

	September 30, 2013 ₹	September 30, 2012 ₹
Salaries, Wages, Bonus and Exgratia	6,720,183	51,212
Total	6,720,183	51,212

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013****14 Other Expenses**

	September 30, 2013 ₹	September 30, 2012 ₹
Hydro generating expenses	43,613	-
Rates and Taxes	1,482,695	4,577,772
Insurance	2,059,951	6,095
Legal and Professional Fees	1,188,248	60,000
Printing and Stationery	46,175	5,933
Travelling and Conveyance	160,999	57,834
Administrative expenses	100,619	4,293
Water Royalty Charges	8,093,743	-
Freight & Handling	29,406	-
Repair & Maintenance	1,184,476	-
Audit Fees	160,113	100,000
Courier Expense	1,820	-
Electricity Charges	95,651	-
Consumables	188,753	-
Stores & Spares A/c	1,451,299	-
Total	16,287,561	4,811,927

15 Finance Cost

	September 30, 2013 ₹	September 30, 2012 ₹
Finance Charges	277,379	23,793,763
Interest on Term Loan	113,002,255	883,562
Total	113,279,634	24,677,325

- 16 Disclosure of Trade Payables under current liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro Small and Medium Enterprises Development Act, 2006". Amounts overdue as on September 30, 2013 to Micro, Small and Medium Enterprises on account of Principal amount together with interest, aggregate to Rs. Nil (Previous year Rs. Nil)
- 17 In the opinion of the Management, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all liabilities is adequate and not in excess of the amount reasonably necessary
- 18 Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	September 30, 2013 ₹	September 30, 2012 ₹
Net Profit after Tax for the year (Rs.)	(25,271,131)	(29,530,175)
Weighted average number of Equity Shares outstanding	49,000,000	1,506,421
Nominal Value of Share (Rs.)	10	10
Earnings Per share (Basic and Diluted) (Rs.)	(0.52)	(19.60)



Registered Office : No. 24, 29TH MAIN, BTM LAYOUT II STAGE, BANGALORE - 560 076.
7th ANNUAL GENERAL MEETING ON TUESDAY, THE 24TH DECEMBER, 2013 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 Pvt. Ltd., Unit : Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
The information should be signed by all the shareholders registered under the Ledger Folio.

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



Registered Office : No. 24, 29TH MAIN, BTM LAYOUT II STAGE, BANGALORE - 560 076.

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 7th Annual General Meeting of the Company to be held on Tuesday, the 24th
December, 2013 and at any adjournment thereof.

Signed this day of2013.

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.



→ Plantation

