

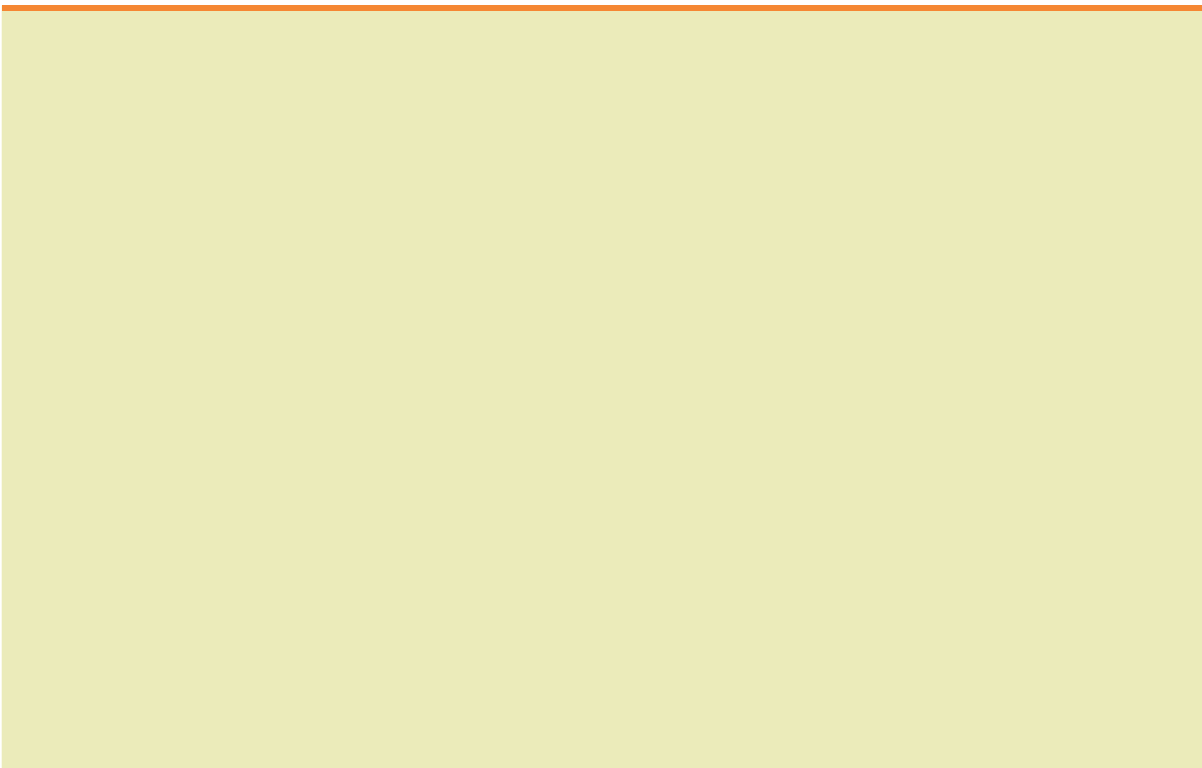
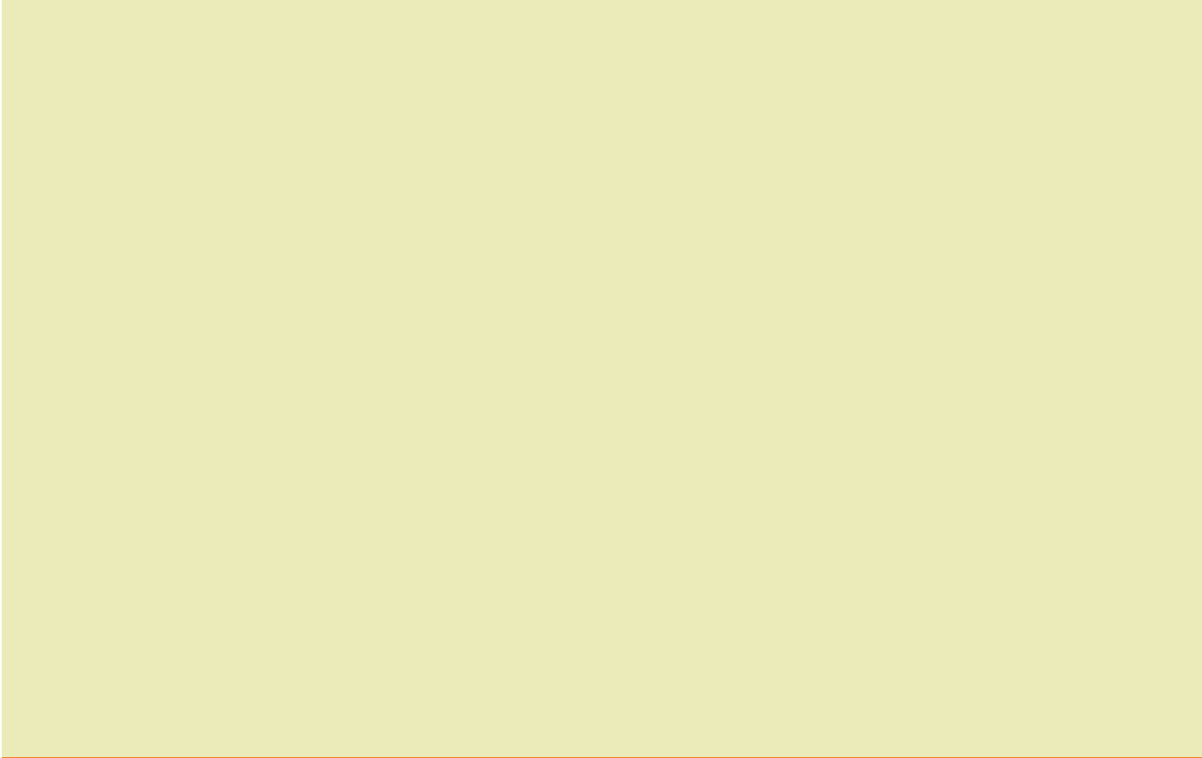


GOKAK™

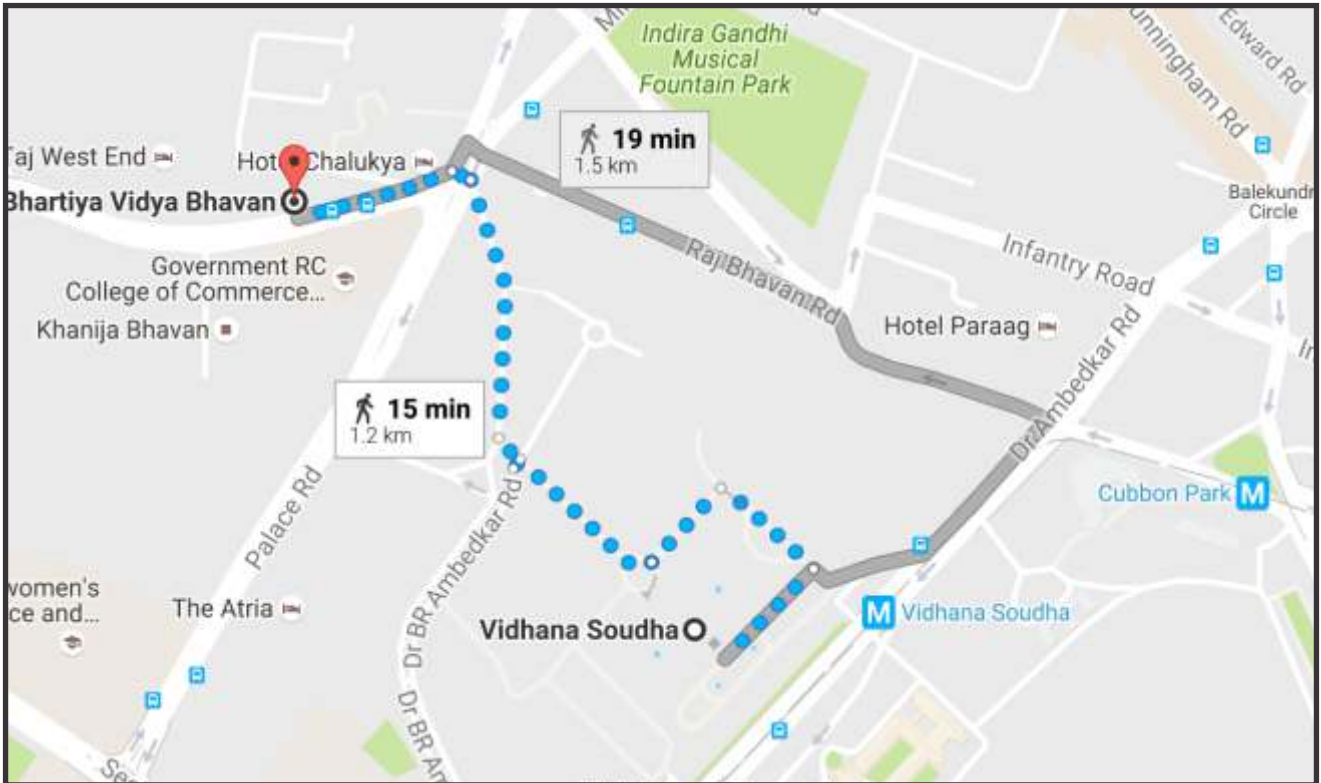
TEXTILES LIMITED



10th Annual Report
2015-2016



Directions From Vidhana Soudha to KRG Hall, Bhartiya Vidya Bhavan



Vidhana Soudha, Dr Ambedkar Rd, Sampangi Ramnagar, Bengaluru, Karnataka 560001, India

- ↑ Head northeast - 150m
- ↶ Turn left toward Dr BR Ambedkar Rd - 150m
- ↶ Turn left toward Dr BR Ambedkar Rd - 120m
- ⦿ At the roundabout, take the 1st exit - 210m
- ↶ Turn left toward Dr BR Ambedkar Rd - 13m
- ↷ Turn right onto Dr BR Ambedkar Rd - 41m
- ↷ Turn right to stay on Dr BR Ambedkar Rd - 300m
- ↶ Turn left to stay on Dr BR Ambedkar Rd - 25m
- ↶ Turn left onto Palace Rd/ Race Course Rd - 190m

Continue to follow Race Course Rd Destination will be on the right

Bhartiya Vidya Bhavan, #43, Race Course Road, Bengaluru, Karnataka 560001, India

Index

| Contents | Pages |
|--|--------------|
| Notice | 2-13 |
| Director's Report & Annexure | 14-33 |
| Corporate Governance | 34-43 |
| Independent Directors | 44-49 |
| Balance Sheet(Standalone) | 50 |
| Profit & Loss A/C | 51 |
| Cash Flow Statement | 52- 53 |
| Notes to Financial Statements: | |
| Note 1 : Corporate Information | 54 |
| Note 2 : Preparation | 54 |
| Note 3 : Significant Accounting policies | 54-56 |
| Note 4 : Share Capital | 57 |
| Note 5 : Reserves and surplus | 58 |
| Note 6 : Long term borrowings | 58 |
| Note 7 : Deferred tax liability | 59 |
| Note 8 : Long term provisions | 59 |
| Note 9 : Short term borrowings | 59 |
| Note 10 : Trade payables | 60 |
| Note 11 : Other current liabilities | 60 |
| Note 12 : Short term provisions | 60 |
| Note 13 : Fixed Assets | 61 |
| Note 14 : Non-current investments | 62 |
| Note 15 : Long term loans and advances | 62 |
| Note 16 : Inventories | 62 |
| Note 17 : Trade Receivables | 63 |
| Note 18 : Cash & Bank balances | 63 |
| Note 19 : Short term Loans & advances | 63 |
| Note 20 : Other Current Assets | 63 |
| Note 21 : Revenue from Operations | 64 |
| Note 22 : Other Operation Incomes | 64 |
| Note 23 : Other Income | 64 |
| Note 24 : Cost of Raw Materials and Components consumed | 65 |
| Note 25 : Change in Inventory | 65 |
| Note 26 : Employee Benefits Expense | 66 |
| Note 27 : Other Expenses | 66 |
| Note 28 : Finance Cost | 66 |
| Note 29 : Contingent Liability | 67 |
| Notes 30-33 : Others Notes | 67 |
| Note 34 : Gratuity | 68 |
| Note 35 -37 : Other Notes | 69 |
| Note 38 : CIF value of Inputs | 70 |
| Note 39 : Income in Foreign currency | 70 |
| Note 40 : Expenditure in Foreign currency | 70 |
| Note 41 : Auditors remuneration included legal and professional fees | 71 |
| Note 42 : Directors Remuneration | 71 |
| Note 43 : Lease transactions | 72 |
| Note 44 : Related party disclosures | 73-74 |
| Consolidated Financial Statements | 75-102 |
| Subsidiary Company | 103- 134 |

| | | | | |
|--|---|---|---|---|
| DIRECTORS | : | ASHOK BARAT | - | Chairman |
| | | RAMESH R. PATIL | - | Chief Executive Officer and Managing Director (w.e.f. July 18, 2016) |
| | | PRADIP N. KAPADIA | | |
| | | KAIWAN KALYANIWALLA | | |
| | | VASANT SANZGIRI | | |
| | | D. G. PRASAD | | |
| | | ZARINE K COMMISSARIAT | | |
| CHIEF FINANCIAL OFFICER | : | VIKRAM V. NAGAR (w.e.f. March 29, 2016) | | |
| COMPANY SECRETARY | : | MOHAN S. KETKAR (w.e.f. July 08, 2016) | | |
| STATUTORY AUDITORS | : | Messrs. KALYANIWALLA & MISTRY | | |
| BANKERS | : | PUNJAB NATIONAL BANK | | |
| | | STANDARD CHARTERED BANK | | |
| | | RBL BANK LIMITED | | |
| | | NEW INDIA CO -OPERATIVE BANK LIMITED | | |
| | | EXPORT IMPORT BANK OF INDIA | | |
| REGISTRARS AND SHARE TRANSFER AGENTS | : | TSR DARASHAW LIMITED | | |
| | : | UNIT : GOKAK TEXTILES LIMITED, 6-10, HAJI MOOSA PATRAWALA INDUSTRIAL ESTATE, 20, DR. E. MOSES ROAD, MAHALAXMI, MUMBAI-400 011. Tel No. : +91 22 66568484, Fax : +91 22 66568494, Email : cgs-unit@tsrdarashaw.com | | |
| BRANCH | : | TSR DARASHAW LIMITED | | |
| | : | UNIT : GOKAK TEXTILES LIMITED 503. BARTON CENTRE, 5TH FLOOR 84, MAHATMA GANDHI ROAD BANGALORE - 560 001. | | |
| MILLS | : | GOKAK FALLS-591 308 (DISTRICT BELGAUM- KARNATAKA) | | |
| KNITWEAR UNIT | : | BAGALKOT ROAD VILLAGE MARIHAL - 591 167. DIST. : BELGAUM KARNATAKA. | | |
| REGISTERED OFFICE | : | #1, 2 nd FLOOR, 12 th CROSS, IDEAL HOMES, NEAR JAYANNA CIRCLE, RAJARAJESHWARI NAGAR, BANGALORE - 560 098. | | |

Tenth Annual General Meeting of Gokak Textiles Limited will be held on Friday, September 02, 2016 at 3.00 p.m. at KRG Hall, Bharatiya Vidya Bhavan, Race Course Road, Bengaluru - 560 001.

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Gokak Textiles Limited will be held on Friday, September 2, 2016 at 3.00 P.M. at KRG Hall, Bharatiya Vidya Bhavan, Race Course Road, Bengaluru 560 001 to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt :
 - a) the Audited Financial Statements of the Company for the Financial Year (six months) ended March 31, 2016 together with the Report of the Board of Directors and the Auditors thereon; and
 - b) the Audited Consolidated Financial Statements of the Company for the Financial Year (six months) ended March 31, 2016.
2. To appoint a Director in place of Mr. Ashok Barat (DIN:00492930), who retires by rotation and being eligible, seeks re-appointment.
3. Ratification of Auditors' Appointment

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 139 and such other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 as amended from time to time and pursuant to the resolution passed by the Members at the Eighth Annual General Meeting (AGM) held on December 29, 2014 in respect of appointment of the statutory auditors, Messrs. Kalyaniwalla & Mistry, Chartered Accountants, (Firm Registration No. 104607W) till the conclusion of the Annual General Meeting to be held in the year 2017, the Company hereby ratifies and confirms the appointment of Messrs. Kalyaniwalla & Mistry, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the Eleventh Annual General Meeting of the Company to be held in the year 2017, on such remuneration plus service tax, out of pocket, travelling and other expenses as may be determined by the Board of Directors of the Company."

SPECIAL BUSINESS

4. Appointment of Mr. Ramesh R. Patil as Director of the Company

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 152, 161 and other applicable provisions, if any, of the Companies Act, 2013 and rules made there under (including any statutory modifications or re-enactment(s) thereof, for the time being in force Mr. Ramesh R. Patil (DIN:07568951), who was appointed as an Additional Director of the Company and who holds office up to the date of this Annual General Meeting in terms of section 161 of the Companies Act, 2013 and is eligible for appointment, and in respect of whom the Company has received a notice in writing from a member under section 160 of the Companies Act, 2013, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company.

Resolved further that Mr. Ramesh R. Patil shall not be liable to retire by rotation during his tenure as Chief Executive Officer & Managing Director.

5. Appointment of Mr. Ramesh R. Patil as Chief Executive Officer & Managing Director of the Company

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 Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made there under (including any statutory modification or re-enactment thereof) read with Schedule V of the Companies Act, 2013 and subject to the approval of the Central Government and such other authorities, if required, approval of the members of the Company be and is hereby accorded to the appointment of Mr. Ramesh R. Patil, (DIN:07568951) as Chief Executive Officer & Managing Director of the Company with effect from July 18, 2016 for a period of three years and payment of salary, perquisites, allowances and other benefits (hereinafter referred to as "remuneration") for aforesaid period as per terms and conditions as detailed in the explanatory statement to Item Nos. 4 & 5 of this Notice with authority to the Board of Directors (hereinafter referred to as "the Board" which term shall include any duly constituted Committee thereof to alter and/or vary the terms and conditions of the said appointment and /or remuneration and /or agreement in such manner as may be agreed to between the Board of Directors and Mr. Ramesh R. Patil.

Resolved further that in the event in any financial year, the Company does not earn any profits or earns inadequate profits, the Company shall pay to Mr. Ramesh R. Patil, the remuneration as detailed in the explanatory statement to Item No. 4 & 5 of this Notice as the minimum remuneration.

Resolved further that the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution."

6. Remuneration of Mr. Vikram V Nagar as Wholetime Director of the Company

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 196, 197, 198 and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification from time to time or any re-enactment thereof for the time being in force) (the "Act") read with Schedule V to the said Act and subject to the approval of the Central Government, if required, and of such other authorities as may be necessary, consent of the members of the Company be and is hereby accorded for payment of remuneration for the period May 27, 2016 to August 5, 2016 as detailed in the explanatory statement attached to Item No. 6 of this Notice to Mr. Vikram V. Nagar (DIN 07526281).

Resolved further that in the event in any financial year, the Company does not earn any profits or earns inadequate profits, the Company shall pay to Mr. Vikram V. Nagar, the remuneration as detailed in the explanatory statement to Item Nos. 6 of this Notice as the minimum remuneration.

Resolved further that the Board of Directors (which term shall include any duly constituted Committee thereof) be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to this resolution."

7. Ratification of remuneration of Cost Auditor

To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:

"Resolved that pursuant to the provisions of section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof), the remuneration of Rs. 3.00 lakhs plus out of pocket expenses payable to Messrs. A. G. Anikhindi & Co. (Firm Registration No. 100049), the Cost Auditor appointed by the Board of Directors of the Company, to conduct the audit of the cost accounts of the Company for the financial year ending March 31, 2017 is hereby ratified and confirmed.

Resolved further that the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

8. Issue and Offer of Non-cumulative, Non-convertible, Redeemable Preference Shares on a Private Placement basis :

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

"Resolved that in accordance with the provisions of Sections 42, 55 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with the Rules framed thereunder, as may be amended from time to time and the Articles of Association of the Company and the regulations/guidelines, if any, prescribed by any relevant authorities from time to time, to the extent applicable and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof constituted/ to be constituted for the time being exercising the powers conferred on the Board by this Resolution) or as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board, the consent of the Company be and is hereby accorded to the Board to offer or invite to subscribe, issue and allot, such number of Preference Shares of the Company of the face value of Rs.10 each on such terms and conditions, for an aggregate value not exceeding Rs. 30 crores in one or more tranches as may be decided by the Board of Directors under the offer, including but limited to by way of cash at par or otherwise viz., conversion of loan into Non-cumulative, Non-convertible, Redeemable Preference Shares ("NCRPS") on a private placement basis, to Promoter, Shapoorji Pallonji and Company Private Ltd /Promoter Group or such person or persons and in such proportion and on such terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting."

"Resolved further that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to agree and to make such modification (s) and alternation (s) from time to time as it deems fit and to take all such steps as it may deem necessary, desirable or expedient including issuance of 'Offer Document' as may be prescribed under the Act and the Rules made thereunder and to resolve all questions of doubts and to do all acts, deeds and things and execute all such deeds, documents, writings, in connection therewith and incidental thereto and the Board in its absolute discretion without being required to seek any fresh approval of the members of the Company and the decision of the Board shall be final and conclusive and also to pay such fees and incur such expenses in relation thereto as it may deem appropriate."

By Order of the Board of Directors

Ashok Bharat

Chairman

Place : Mumbai,

Date : August 5, 2016.

Registered Office:

1, 2nd Floor, 12th Cross, Ideal Homes,
Near Jayanna Circle, Rajarajeshwari Nagar,
Bengaluru 560 098
Ph: +91 08 29744077, + 91 80 29744078,
Fax: +91 08 8029744060
Email: secretarial@gokakmills.com
CIN: L17116KA2006PLC038839
Website: www.gokakmills.com

NOTES

1. The Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013 ("Act") with respect to the special business set out in the Notice is annexed hereto. Additional information pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 (SEBI (LODR), 2015) in respect of Director seeking appointment / re-appointment at the meeting is enclosed as Annexure to this Notice.
2. A member entitled to attend and vote at the Annual General Meeting (AGM), is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in aggregate not more than 10% of the total share capital of the company.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, August 27, 2016 to Friday, September 2, 2016 (both days inclusive).
4. Corporate members are requested to send to the Company a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeting.
5. Members are requested to immediately notify the REGISTRARS AND SHARE TRANSFER AGENTS or the DEPOSITORY PARTICIPANTS (in case of shares which have been dematerialised) of any change in their address.
6. Members are requested to update their email address with your Depository Participant/Company to enable us to send Annual Report other communications electronically.
7. Members are requested to bring their attendance Slip along with their copies of the Annual Report to the Meeting.
8. Documents referred to in Statement pursuant to Section 102 (1) of the Act shall be available for inspection on any working day (Monday to Friday) between 11.00 am to 1.00 pm.
9. The Notice of the AGM along with the Annual Report for Financial Year 2015 -16 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company /Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with Registrars and Share Transfer Agents /Depositories.
10. Members desiring any additional information/clarification on the Financial Statements are requested to send such requests at the earliest so as to enable the Management to keep the information ready at the AGM.
11. E-Voting
 - I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
 - II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
 - III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
 - IV. The remote e-voting period commences on August 30, 2016 (9:00 am) and ends on September 1, 2016 (5:00 pm). During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of August 26, 2016, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
 - V. The process and manner for remote e-voting are as under:

- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]
- (i) Open email and open PDF file viz; "Gokak Textiles Limited. pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
 - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsd.com/>
 - (iii) Click on Shareholder - Login
 - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
 - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
 - (vii) Select "EVEN" of "Gokak Textiles Limited".
 - (viii) Now you are ready for remote e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to cskirandesai43@gmail.com with a copy marked to evoting@nsdl.co.in
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :
- (i) Initial password is provided as below in the attendance slip

| | | |
|-------------------------------------|---------|--------------|
| EVEN (Remote e-voting Event Number) | USER ID | PASSWORD/PIN |
|-------------------------------------|---------|--------------|
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsd.com or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of August 26, 2016.
- X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. August 26, 2016, may obtain the login ID and password by sending a request at evoting@nsdl.co.in
 However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsd.com or contact NSDL at the following toll free no.: 1800-222-990.
- XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

- XIII. Mr. Kiran B Desai, Proprietor, Kiran Desai & Associates, Practicing Company Secretaries has been appointed for as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 48 hours from conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, invalid votes if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVI. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company, www.gokakmills.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai. Subject to receipt of requisite number of votes, the resolutions shall be deemed to be passed at the date of AGM i.e. September 2, 2016.

ANNEXURE TO NOTICE

Statement Pursuant to Section 102 (1) of the Companies Act, 2013

The following statement sets out material facts relating to the Special Business mentioned in the accompanying Notice:

Item No. 4 & 5

Mr. Ramesh R. Patil was appointed as an Additional Director of the Company w.e.f July 18, 2016. As per the provisions of section 161 of the Companies Act, 2013, Mr. Ramesh R. Patil holds office up to the date of ensuing Annual General Meeting of the Company and is eligible for appointment.

The Board of Directors (hereinafter referred to as "the Board" which term shall include any duly constituted Committee thereof) of the Company on the recommendation of Nomination and Remuneration Committee had approved the appointment of Mr. Ramesh R. Patil as Chief Executive Officer & Managing Director on the Board of the Company with effect from July 18, 2016 for a period of three years.

Approval of the members is required by way of Special Resolution for appointment and payment of remuneration.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 190 of the Companies Act, 2013.

The details of remuneration payable to Mr. Ramesh R. Patil and the terms and conditions of the appointment are given below:

| | |
|---------------------------------|-------------------------------------|
| Scale of Basic Salary per month | Rs. 1,00,000 to Rs. 2,00,000/- |
| Perquisites and Allowances * | Not exceeding 200 % of Basic Salary |

* Perquisites, allowances and other benefits shall be interchangeable.

Such incentive as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors of the Company having regard to the net profits of the Company and provisions of Section 197, 198 and other applicable provisions of the Companies Act, 2013.

In addition Mr. Ramesh R. Patil would be entitled to Company's contribution to Provident Fund and other perquisites/facilities/benefits (including Company's car with driver, Gratuity and Leave encasement at the end of tenure).

The other material terms of the draft agreement with Mr. Ramesh R. Patil referred to in the resolution at Item No. 5 of the Notice are as follows:

1. The appointment of Mr. Ramesh R. Patil shall be for a period of 3 (three) years from July 18, 2016 to July 17, 2019 (both days inclusive). The appointment of Mr. Ramesh R. Patil as Chief Executive Officer & Managing Director shall be subject to the retirement policy of the Company for the time being unless the period has been extended by the Board of Directors of the Company.
2. Mr. Ramesh R. Patil shall be designated as Chief Executive Officer & Managing Director.
3. During tenure of Mr. Ramesh R. Patil as the Chief Executive Officer & Managing Director the day to day management of the Company shall be in the hands of Mr. Patil, subject to the supervision and control of the Board of Directors of the Company. Mr. Patil shall perform such duties and services and exercise such powers as shall from time to time be entrusted to him by the Chairman, and the Board of Directors of the Company and shall report to and be responsible to them for his actions
4. Mr. Ramesh R. Patil shall devote his whole time attention and ability during business hours of the business of the Company and undertake travel for the same.
5. Mr. Ramesh R. Patil shall not be subject to retirement by rotation in accordance with section 152 (6) of the Companies Act, 2013.
6. Mr. Ramesh R. Patil shall not be entitled to fees for attending Board /Committee meetings.
7. Mr. Ramesh R. Patil shall not directly or indirectly engage himself in any business or activity substantially similar to or competing with the business activity of the Company during the term of the appointment and shall not become interested or otherwise concerned directly or through his wife and/or children in any selling agency of the Company without the prior approval of the Company.
8. Upon Mr. Ramesh R. Patil ceasing to be Chief Executive Officer & Managing Director under this appointment he shall cease to be a

member of the Board.

The Board may revise the terms and conditions of appointment and /or remuneration of Mr. Ramesh R. Patil as may deem fit by it.

The draft of the proposed Agreement to be entered by the Company with Mr. Ramesh R. Patil shall be open for inspection by the shareholders at the Registered Office of the Company between 11.00 a.m to 1.00 a.m. on any working day (Monday to Friday).

Notice has been received from member proposing appointment of Mr. Ramesh R. Patil as Director of the Company along with a requisite deposit. The disclosure under Regulation 36(3) of SEBI (LODR), 2015, is provided as Annexure of this Notice.

Except Mr. Ramesh R. Patil, none of the other Directors or Key Managerial Personnel of the Company and their relatives are concerned or interested in this resolutions set out at item nos. 4 & 5.

The Board recommends the passing of Ordinary Resolution at Item No. 4 and Special Resolution No. 5 of the accompanying Notice, in the interest of the Company.

Item 6

Mr. Vikram V. Nagar, Chief Financial Officer was appointed as an Additional Director and Whole-time Director of the Company with effect from May 27, 2016 for a period of three years.

The appointment and remuneration payable to Mr. Vikram V. Nagar was subject to the approval of the shareholders of the Company.

Mr. Vikram V. Nagar has resigned as the Member of the Board of Directors of the Company with effect from August 5, 2016. He continues as the Chief Financial Officer of the Company.

The remuneration paid to Mr. Vikram V. Nagar as Whole-time Director for the period May 27, 2016 to August 5, 2016 is required to be approved by the Shareholders of the Company by Special Resolution.

The details of remuneration paid to Mr. Vikram V. Nagar are as follows:

| Particulars | Amount (Rs) |
|---|-------------|
| Gross salary from May 27, 2016 to August 5, 2016 | 5,33,304 |
| Contribution to Provident Fund and Superannuation Fund (as per Company's policies) | 65,275 |

None of the Directors or Key Managerial Personnel of the Company and their relatives are concerned or interested in passing of the said special resolution set out at item nos. 6

The Board recommends the passing of Special Resolution No. 6 of the accompanying Notice, in the interest of the Company.

Item 7

The Board, on the recommendation of the Audit Committee, has approved the appointment of Messrs. A. G. Anikhindi & Co., (Firm Registration No. 100049) as cost auditors of the Company at a remuneration of Rs. 3.00 lakhs plus out of pocket expenses for the financial year ending March 31, 2017.

In accordance with the provisions of section 148 of the Companies Act, 2013 (Act), read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be ratified by the Members of the Company.

Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set at Item No. 7 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2017.

None of the Directors, Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution at item 4 of the Notice.

The Board recommends the passing of this Resolution at Item No. 7 of the accompanying Notice in the interests of the Company.

Item 8

As per Section 42 of the Companies Act, 2013 and Rules framed thereunder, a Company shall not make a Private Placement of Securities

unless the proposed offer of securities or invitation to subscribe to securities have been previously approved by the Members of the Company by a Special Resolution.

The Board of Directors have taken decision to implement certain business strategies viz., re-organization of business divisions, productivity improvement, cost reduction measure etc., to implement these decisions on a timely and effective manner, it is proposed to raise long term funds through issue of Preference Shares on Private Placement Basis and it will also help to increase the Net worth of the Company which is being eroded due to huge losses and the Company has become potentially sick. Due to poor financial position of the Company, the Company is restrained from going to public issue/rights issue. Shapoorji Pallonji and Company Private Limited., Promoter of the Company have consented to subscribe the entire issue of Non-cumulative, Non-convertible, Redeemable, Preference Shares (NCRPS) of Rs.30 Crores in one or more tranches.

Accordingly, approval of the Members is being sought by way of Special Resolution under Section 42, 55 and such other provisions, if any, of the Companies Act, 2013 read with Rules made there under for issue of Non-cumulative, Non-convertible, Redeemable, Preference Shares (NCRPS) aggregating an amount not exceeding Rs.30 crores and to offer and allot the NCRPS on a Private Placement basis to Promoter, Shapoorji Pallonji and Company Private Limited/Promoter Group on the terms and conditions as set hereunder :

| Size of the issue | Rs. 30 crores |
|---|--|
| No. of Preference shares | 3,00,00,000 |
| Nominal value | Rs. 10 |
| Basis on which the price has been arrived | N.A. Issue is at PAR |
| Tenure | Not exceeding 20 years from the date of their issue with or without a put/call option as maybe determined by the Board. |
| Nature of Preference shares | Non-cumulative, Non-convertible, Non-participating, Redeemable Preference Shares |
| Object of the issue | To raise long term funds for the business of the Company. |
| Manner of issue of shares | Offer on private placement basis to the Shapoorji Pallonji and Company Private Limited / Promoters Group in one or more tranches as may be decided by the Board of Directors under the offer. |
| Offer period | To be determined by the Board |
| Rate of Dividend | Not exceeding 11.00% p.a. |
| Manner and mode of redemption | To be determined by the Board |
| Terms of redemption including tenure of redemption, redemption of shares at premium | Redeemable at par in accordance with Section 55 of the Companies Act, 2013 out of profits available for distribution as dividend or out of fresh issue of shares made for the purpose of redemption. |
| Current equity shareholding pattern | Mentioned below. |
| Expected dilution in equity share capital upon conversion of preference shares | Nil. Since the NCRPS are non convertible. |
| No subsisting default in the redemption of existing preference shares, payment of dividend. | N.A. |

Equity shareholding pattern as on 30.06.2016:

| Sl. No. | Name of the shareholder | Percentage to Paid-up Capital (%) |
|---------|--|-----------------------------------|
| 1 | Shapoorji Pallonji and Company Private Limited (Promoter) | 73.56 |
| 2 | Other Bodies corporate | 4.35 |
| 3 | FIIIs/NRIs/OCBs/Foreign Companies | 3.65 |
| 4 | Insurance Companies | 4.56 |
| 5 | Individuals | 13.88 |
| | TOTAL | 100.00 |

None of the Directors and/or Key Managerial Personnel of the Company and their relatives are in any way, concerned or interested, financial or otherwise, in the resolution set out at Item No.8 of the Notice.

The Board commends a Special Resolution set out at Item No.8 of the Notice for approval by the shareholders.

By Order of the Board of Directors

Ashok Barat
Chairman

Mumbai,

August 05, 2016.

Registered Office:

1, 2nd Floor, 12th Cross, Ideal Homes,
Near Jayanna Circle, Rajarajeshwari Nagar,
Bengaluru 560 098
Ph: +91 80 2974 4077, +91 80 2974 4078,
Fax: +91 80 2974 4066
Email: secretarial@gokakmills.com
CIN: L17116KA2006PLC038839
Website: www.gokakmills.com

Details of Directors whose re-appointment/appointment is proposed at the forthcoming Annual General Meeting [Pursuant to Regulation 36(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

| Name of Director | Mr. Ashok Barat | Mr. Ramesh R. Patil |
|--|---|--|
| Date of Birth | December 5, 1956 | October 5, 1957 |
| Date of first Appointment | November 29, 2006 | July 18, 2016 |
| Qualification | FCA, ACS | B. Text., D. B. M., EXIM(IMC) |
| Relationships between directors inter-se | Not related to any Director of the Company | Not related to any Director of the Company |
| Expertise in specific functional areas | Mr. Ashok Barat aged 59 years is a commerce graduate (Gold Medalist) from Allahabad University and a member of the Institute of Chartered Accountant of India and the Institute of Company Secretaries of India. He has worked in India and abroad and has rich experience in the corporate world including MNCs in different fields. He is a member of committees of several trade associations. He is also Director of several other companies. | Mr. Patil has over 34 years of strong experience in Textile Industry. He has worked in senior level management position in leading Textile companies in India and has vast experience in operations and management at various unit levels. |
| List of Other Public Companies in India in which Directorship held | a. Forbes Technosys Ltd., b. Forbes Bumi Armada Ltd., c. Forbes Bumi Armada Offshore Ltd., d. Shapoorji Pallonji Forbes Shipping Ltd. | Nil |
| Chairmanship Membership of the Committees of Board of Indian Public Companies (includes only Audit Committee and Stakeholders' Relationship Committee) | <u>Audit Committee</u> Forbes Technosys Ltd | Nil |
| No. of shares held | Nil | Nil |

Disclosure as required under Schedule V to the Companies Act, 2013 is given hereunder:

I. General Information-

| | |
|--|--|
| Nature of Industry | Textile Industry Engaged in manufacture of Cotton Yarn and Knitwear |
| Date or expected date of Commercial Production | The Company was incorporated on March 27, 2016 and consequent upon the scheme of Arrangement for the demerger of the Textiles under taking of Forbes Gokak Limited into Gokak Textiles Limited, Approved by High Court, Bombay & High Court of Karnataka at Bangalore, the Textiles and the Knitwear Business of the Textiles under taking of Forbers Gokak Limited was transferred to Gokak Textiles Limited. |
| Incase of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not Applicable |

II. Standalone Financial Performance :- For the financial years ended

a) Standalone Financial Performance

(Rs. In Crores)

| Particulars | FY 2013-14 | FY 2014-15 | FY 2015-16 |
|---|------------|------------|------------|
| Total Income from operations (net) inclusive other Income | 344.13 | 331.59 | 105.59 |
| Total expenses | 378.65 | 379.63 | 128.60 |
| Profit/(Loss) from ordinary activities | (34.52) | (48.04) | (23.01) |
| Profit/(Loss) before tax | (34.52) | (48.04) | (23.01) |

b. Consolidated Financial Performance :- For the financial years ended

(Rs. In Crores)

| Particulars | FY 2013-14 | FY 2014-15 | FY 2015-16 |
|---|------------|------------|------------|
| Total Income from operations (net) inclusive other Income | 350.13 | 336.54 | 106.11 |
| Total expenses | 381.53 | 381.10 | 133.30 |
| Profit/Loss from ordinary activities | (31.40) | (44.56) | (27.19) |
| Profit/Loss before tax | (31.40) | (44.56) | (27.19) |

III. Foreign Investments or collaborations, if any - There is no direct foreign investment in the Company except to the extent share held by Foreign Institutional Investors(FII) acquired through secondary market. There is no foreign collaboration in the Company.

IV. Information about Mr. Ramesh R. Patil :

| Particulars | Mr. Ramesh R. Patil |
|---|---|
| Background details | Mr. Ramesh R. Patil aged 58 years has over 34 years of strong experience in Textile Industry and has worked in senior level positions in leading Textile companies in India. He is B. TEXT, D. B. M., EXIM(IMC) |
| Past Remuneration received in FY 2015-16 | Nil |
| Job profile and his suitability | Information given under the requirements of Regulation 36(3)of SEBI (LODR) 2015. |
| Remuneration proposed | As mentioned in the explanatory statement |
| Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any | A part from receiving managerial remuneration, he does not have (i) any other pecuniary relationship with the Company or its holding Company (ii) any direct or indirect interest and (iii) any relationship with the Directors or Promoters or Key Managerial Personnel of the Company or its holding Company. |

Comparative remuneration profile with respect to industry, size of company, profile of the position and person

Taking into account the size of the Company, industry benchmark in general, profile, position, responsibility, the proposed remuneration is in line with the current remuneration structure of the industry.

V. Other information:**Reasons of loss or inadequate profits, Steps taken or proposed to be taken for improvement and Expected increase in productivity and profits in measurable terms:**

Since past few years Indian Textile industry is running with lots of challenges which has resulted in to stiff competition in Domestic and Export market along with International players. With challenges of increase in input costs such as Cotton, Power, labour cost, and working capital constraints, overall sales revenue and margins have reduced in spite of marginal improvement in Export sales.

Low rainfall resulted in low hydropower generation which lead to increased power cut. The above conditions have resulted in a considerable decline in the revenue / profits of the company.

The Company has been working on various strategies according to market dynamics to improve its performance. The implemented strategies have resulted into strict cost control, various internal control systems. Company has initiated steps to improve the quality of production, introduction of new products in the domestic and international market. The results of these initiatives are likely to be felt in the coming years.

VI. Disclosures:

The necessary disclosures required under Para IV of Section II of Part II of Schedule V to the Companies Act, 2013 have been disclosed in the Corporate Governance report and explanatory statement sent along with the Annual Report of the Company.

By Order of the Board of Directors

Ashok Barat
Chairman

Place : Mumbai,

Date : August 5, 2016

Registered Office:

1, 2nd Floor, 12th Cross, Ideal Homes,

Near Jayanna Circle, Rajarajeshwari Nagar, Bengaluru 560 098

Ph: +91 80 2974 4077, +91 80 2974 4078, Fax: +91 80 2974 4066

Email: secretarial@gokakmills.com, Website: www.gokakmills.com

CIN: L17116KA2006PLC038839

DIRECTORS' REPORT

Dear Members,

Your Directors submit their Report and the Audited Financial Statements for the Financial Year (FY) ended March 31, 2016 covering a period of six months ending on the said date.

Financial Results

(Rs. In Crores)

| Particulars | Standalone | | Consolidated | |
|---|------------|----------|--------------|----------|
| | FY 15-16 | FY 14-15 | FY 15-16 | FY 14-15 |
| Revenue from Operations and Other Income (Total Revenues) | 105.59 | 331.59 | 106.11 | 336.54 |
| Earnings before Interest, Depreciation & Taxation (EBIDT) | -9.32 | -18.50 | -7.66 | -3.56 |
| Profit / (Loss) after Interest and before Depreciation, Exceptional Items & Tax | -19.46 | -40.45 | -23.12 | -35.93 |
| Depreciation | 3.55 | 7.59 | 4.07 | 8.63 |
| Profit / (Loss) after Depreciation before Exceptional Items and Tax | -23.01 | -48.04 | -27.19 | -44.56 |
| Exceptional Items - Income/(Expense) | 0.00 | 0.00 | 0.00 | 0.00 |
| Profit / (Loss) before Tax (PBT) | -23.01 | -48.04 | -27.19 | -44.56 |
| Profit / (Loss) after Tax (PAT) | -23.86 | -45.48 | -25.23 | -43.39 |
| Minority Interest | | | -1.17 | -4.64 |
| Profit / (Loss) after Tax (PAT) and after Minority Interest | | | -24.06 | -38.75 |

The Financial Results for FY 2015-16 are drawn for the six months period ended March 31, 2016. This change has been effected in order to align with the definition of financial year as per the provision of Section 2(41) of the Companies Act, 2013 and hence the previous year's figures that covered a period of full twelve months, are not comparable. The Company will revert to a full twelve months accounting year from April 1, 2016 and thereafter.

The consolidated financial statements for the FY 2015-16 of the Company and its subsidiary company together with the Auditors Report thereon are attached.

Shifting of Registered Office

During the year under review the Registered Office of the Company was shifted from No. 24, 29th Main, BTM Layout II Stage, Bangalore - 560 076 to #1, 2nd Floor Ideal Homes, near Jayanna Circle, 12th Cross, Rajarajeshwari Nagar, Bangalore- 560 098 with effect from February 2, 2016.

Share Capital and Preference Shares

During the year under review, the Company has increased the Authorised Share Capital from Rs. 27 crores to Rs. 77 Crores.

The Paid up Share Capital of the Company has been increased from Rs. 26,49,93,080 to Rs. 46,49,93,080 pursuant to allotment of two crores (number of shares) Non-cumulative, Non-convertible, Redeemable Preference Shares of Rs.10 each aggregating to Rs.20 crores on a private placement basis to Shapoorji Pallonji and Company Private Limited, Promoters of the Company.

During the year under review, the Company has not issued any shares with differential voting rights or 'sweat equity shares' and has not granted any stock options. As at March 31, 2016 none of the Directors of the Company hold shares in the Company.

Dividend and Transfer to Reserves

In view of the losses during the current year, the Board of Directors regret their inability to declare dividend.

No amount was transferred to the reserves during the year.

Material changes and commitments

During the year under review there was an illegal flash strike by certain workmen as a result there was a complete stoppage of production. The Company in the interest of safety of the employees/workmen, equipment, raw material and other properties of the Company had declared a lockout on March 17, 2016. The said lockout was lifted on May 13, 2016. The said strike and subsequent lockout has affected the financial position of the Company during the year under review.

Management Discussion and Analysis Report

Industry Structure and Development:

The Indian Textiles industry is extremely varied, with the hand-spun and hand-woven Textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the Textiles sector. The close linkage of the Textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of Textiles make the Indian Textiles sector unique in comparison to the industries of other countries. The Indian Textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

India's Textiles sector is one of the oldest industries in Indian economy dating back several centuries. It is the third largest producer and exporter in the world after China. Even today, Textiles sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The Textiles industry is also labour intensive and is one of the largest employers.

The future for the Indian Textile industry looks encouraging in the long term, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players. The organised apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period. Textile and apparel exports from India are estimated to increase US \$ 65 billion by 2016-17.

There is optimism in the revival of the global economic outlook in the coming years though this view is not presently supported by economic fundamentals driven by higher economic growth in the advance economies and constrained by moderate growth in emerging markets.

The volume growth in the industry has been quiet modest over the past few years. Indian yarn production is at 7 million tons per annum and growing at around 3% per annum. Textile industry continues to be the second largest employer after agriculture, providing direct employment to 45-50 million people and indirect employment to another 50-60 million people. Labour forms a significant part of the cost of manufacture and hence the performance of this sector is very much dependent on various labour policies.

Opportunities and Threats:

The Textile Policy recently announced by Central Government will strengthen employment in the country. The policy is aimed at creating one crore jobs over the next 3 years, following labour friendly measures such as initiation of fixed term employment and enhancing duty drawback to push Textile and apparel exports. The policy aims to increase exports by \$30 billion for which the Government will invest around Rs. 74,000 Crores in the Textiles & Apparels sector over the next three years. The new policy is expected to provide more employment in the garment sector and will give a boost to spinning mills. The recently announced Rs 6,000 crore Textiles package that envisages significant flexibility in labour laws is part of a larger policy for the sector which will boost exports and generate employment.

The Indian Textile industry has various opportunities like technical Textiles, product development and diversification, Foreign Direct Investment and brand recognition. Technical Textiles offer the opportunity to the Indian Textile industry to maintain the present current growth and flourish in near future.

China is the biggest threat to the Indian Textile industry in the global market. India also has a threat from low cost producing countries like Pakistan and Bangladesh which may hinder India's exports demand in the future. The challenges of availability of Cotton, energy, and manpower at competitive price will continue to be a challenge. In view of this, your Company will continue to put extra efforts in augmenting the labour shortages and conserving the energy which will result into high utilisation consequently giving rise to overall contributions.

The average prices for fibre are also likely to stay higher in FY 2017 as compared to the previous year, which will also support the growth in value of Textile exports. While the volume growth is positive, however yarn export volumes may also come under pressure due to the recent spurt in domestic cotton prices.

Segment-wise product-wise performance:

During the period the Company has developed several new products. In particular, compact yarn fine counts, for fine shirting and saree segments were successfully introduced in to the market. Specialty yarns like 100% polymultifold yarn for industrial application, PVA- Hygro yarn, Slub grindle fancy yarn, TFO dyed grindle yarn were introduced for home furnishing segment. The sale Dyed Yarn remains consistent. Export to the Middle East, Europe, South Africa has seen steady demand. Melange yarns for sportswear and undergarment manufacturing industry were introduced successfully and well accepted by the market.

Business outlook:

The Company has been taking all efforts to focus on the production and marketing of those products that have better demand from Domestic and International market.

Your company has initiated and exploring the possibilities to increase Yarn trading on a large scale in coming years.

Risks and Concerns:

Risk management process includes identification of risks, mitigation mechanism, measurement of risks along with key indicators and monitoring them on periodical basis. A Company-wide awareness of risk management policies and practices is being inculcated to minimize the adverse effect of risks on the operating results and the subject of

management of risks is being approached in a planned and co-ordinated manner. The 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

Internal Control Systems and their adequacy:

The Company has an Internal Control systems developed over years that ensures 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 are periodically reviewed by the management. The findings of such Internal Audits are addressed through suitable corrective measures. The Audit Committee of the Board meets at regular intervals and advises on significant issues raised by, both, the Internal Auditors and the Statutory Auditors. The process of internal control, systems, statutory compliance, risk analysis, information technology and its management are woven together to provide a meaningful support to the management of the business. 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.

M/s Kalyaniwalla & Mistry, the statutory auditors of the Company have audited the financial statements and has issued report inter alia on the internal controls relevant to preparation and fair presentation of the financial statements, which in their opinion is adequate and commensurate with the size of the business.

Human Resources / Industrial Relations**Material developments in Human Resources / Industrial Relations front:**

Hiring talent for core industry like Textile is becoming more difficult and more particularly for spinning industry like our company. Therefore, the Company is focussing on nurturing and developing its human assets to upgrade skill and competency level through the process of training and provide them opportunity to take higher responsibilities. Performance appraisal scheme, reward and recognition policy, career plan, succession plan are some of the initiative undertaken by company for retaining and developing talent.

On the Industrial Relations front the company is passing through critical phase of industrial unrest. Since there are various facets to this localised dispute including social, political and cultural complexities, the company is trying its level best to reach to an amicable solution to the present dispute looking at the long term business objectives.

Deposits:

During the year under review, the Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014.

Particulars of loans, guarantees or investments under Section 186

Particulars of Loans, Guarantees or Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

Directors and Key Managerial Personnel

As per provisions of Section 152 (6) of the Companies Act, 2013. Mr. Ashok Barat (DIN 00492930) is due to retire by rotation at the ensuing Annual General Meeting and being eligible, seek re-appointment.

Mr. Sachin Kulkarni, Whole time Director, resigned from the services of the Company with effect from May 16, 2016

The Board condoles the sad demise of Mr. K. Ramananda Pai, Company Secretary of the Company on February 16, 2016.

The Board of Directors places on record their sincere appreciation for the valuable services rendered by Mr. Sachin Kulkarni and late Mr. K Ramananda Pai to the Board and the Company during their association with the Company.

Mr. Vikram V. Nagar (DIN 07526281) was appointed as an Additional Director and subject to the approval of the shareholders, the Whole time Finance Director with effect from May 27, 2016

Mr. Mohan Ketkar was appointed Company Secretary and Compliance Officer of the Company with effect from July 8, 2016.

Mr. Ramesh R. Patil (DIN 07568951) was appointed as an Additional Director and subject to the approval of the shareholders, Chief Executive Officer & Managing Director with effect from July 18, 2016.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of Independence as prescribed both under the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Independent Directors are familiar with their roles, rights and responsibilities in the Company.

The disclosures required pursuant to Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are given in the Notice of the Annual General Meeting, forming part of the Annual Report and disclosure pursuant to Schedule V, Part II, proviso of Section II B(iv)IV of the Companies Act, 2013 and Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the report.

Meetings of the Board

The Board met at least once in each quarter and 6 (six) meetings of Board were held during the year and the maximum time gap between two Board meetings did not exceed the time limit prescribed under the Companies Act, 2013. The details have been provided in the Corporate Governance Report.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the directors individually, as well as, the evaluation of the working of its Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee. In a separate meeting of Independent Directors, performance of Non-Independent Directors of the Board as a whole and the performance of the Chairman were evaluated.

Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee, framed and adopted a policy for selection and appointment of Director, Senior Management and their remuneration. Remuneration Policy of the Company acts as a guideline for determining, inter alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal, and evaluation of the performance of the Directors, Key Managerial Personnel and Senior Managerial personnel.

Nomination & Remuneration Policy is annexed as **Annexure "III"** to this Report.

Disclosure as required under section 197C of the Companies Act, 2013 read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are Annexed as Annexure 'IV' to this Report.

Details of Subsidiary/Joint Ventures/Associate Companies

Subsidiary Company : Gokak Power & Energy Limited (GPEL)

The Company is engaged in generation, transmission, distribution, trading of hydro-power and other renewal and non-renewal sources of energy. A significant portion of the power generation is used for captive consumption of the Holding Company.

The Audited Financial Statements for the Financial Year (FY) (six months) ended March 31, 2016 together with the Auditors' Report along with the Report of Board of Directors of Gokak Power & Energy Ltd., for FY 2015-16 are attached separately to this Annual Report.

During the year under review (Six Months) the revenues from operation and other income were Rs. 3.38 Crores as against Rs. 19.11 Crores for FY 2014 -15 (Twelve Months). The EBIDTA for FY 2015-16 (Six Months) were Rs. 2.58 Crores as against Rs. 16.24 Crores for FY 2014 -15 (Twelve Months).

The Financial Statements for FY 2015-16 are drawn for the six months period ended March 31, 2016. This change has been effected in order to align with the definition of financial year as per the provision of Section 2(41) of the Companies Act, 2013 and hence the previous year's figures that are for a twelve months period is not comparable. The Company will revert to a full twelve months accounting year from April 1, 2016 and thereafter.

While preparing Consolidated Financial Statements of the Company, the financials of GPEL have been consolidated; this forms part of the Annual Report.

Details of GPEL are set out in the statement in Form AOC-1, pursuant to Section 129 of the Companies Act, 2013 and are attached, herewith, as **Annexure I** to this Report.

The Company does not have any joint ventures/associate companies.

Auditors and Auditors Report

Statutory Auditors

The Shareholders of the Company at their 8th Annual General Meeting (AGM) held on December 29, 2014 had appointed Messrs. Kalyaniwalla & Mistry, Chartered Accountants as Statutory Auditors of the Company until the conclusion of 11th AGM to be held in the year 2017, subject to ratification of their appointment by the Shareholders at every AGM.

Messrs. Kalyaniwalla & Mistry have, under Section 139(1) of the Companies Act, 2013 and Rules framed thereunder furnished a certificate of their consent and eligibility for appointment.

The ratification of appointment of Auditors by the shareholders is sought at the ensuing AGM. The report of the Statutory Auditors forms part of the Annual Report.

The Auditors' Report does not contain any qualification. Notes to Accounts and Auditors remarks in their report are self-explanatory and do not call for any further comments.

Cost Auditors

As per the requirements of Section 148 of the Companies Act, 2013, read with the Companies (Cost Records and Audit) Rules, 2014, the cost accounts of the Company are required to be audited by a Cost Accountant. The Board of Directors of the Company have, on the recommendation of the Audit Committee, appointed Messrs. A G Anikhindi & Co., Cost Accountants as Cost Auditors for the financial year 2015-16 on a remuneration of Rs. 3.00 lakhs plus out of pocket expenses. As required under the Companies Act, 2013 necessary resolution seeking Shareholders ratification for the remuneration to Cost Auditor is included in the Notice convening the 10th Annual General Meeting of the Company.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Kiran Desai & Associates, Company Secretaries, to conduct Secretarial Audit of the Company. The Report of the Secretarial Auditor is annexed herewith as **Annexure V**.

Corporate Social Responsibility

The Board of Directors of the Company has constituted a Corporate Social Responsibility Committee in compliance with Section 135 of the Companies Act, 2013. The Company is not required to undertake any project under the provisions of the Companies Act, 2013. However the Company is spending on afforestation, schools and hospitals, and 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. The 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. The Company has always strived to increase its output to input ratio which once again reduces carbon-emission.

Vigil Mechanism/ Whistle Blower Policy

The Company has Whistle Blower Policy/Vigil Mechanism to deal with instances of fraud and mismanagement, if any. The policy is also available on the website of the Company.

Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as **Annexure VI** forms part of this Report.

Particulars of contracts or arrangements with related parties

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions

made by the Company with the Promoter, Directors, Key Managerial Personnel or the designated persons which may have a potential conflict with the interest of Company at large except power purchase from the subsidiary company for captive consumption and sale.

All related party transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained for transactions which are of a foreseen and repetitive nature and are incurred in the ordinary course of business. The transactions entered pursuant to the omnibus approval so granted are placed before the Audit Committee on a quarterly basis.

Form AOC-2 is annexed as **Annexure "II"** to this report, pursuant to Section 188 of the Companies Act, 2013. The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

Corporate Governance

The guiding principle of the Code of Corporate Governance is 'harmony' that is, balancing the need for transparency with need to protect the interest of the Company, balancing the need for empowerment at all levels with the need for accountability and interaction with all stakeholders including shareholders, employees, lenders and regulatory authorities. A detailed report on Corporate Governance is annexed as a part of this Annual Report. The Management Discussion and Analysis forms part of this report.

A Certificate on compliance of conditions of Corporate Governance issued by Kiran Desai & Associates, Company Secretaries is annexed to the Report on Corporate Governance.

Significant and Material Orders passed by the Regulators or Courts

There are no significant and material orders passed by the Regulators / Courts which would impact the going concern status and Company's operations in future.

Statutory Compliances

The Company ensured compliances of applicable laws. However due to industrial strike and subsequent lockout between March 17, 2016 and May 13, 2016, that rendered access to records and data servers inaccessible during that period, a few statutory compliances during the said period of industrial unrest were compiled after lifting of the lockout.

Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace as per the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made there under for prevention, prohibition and redressal of complaints of sexual harassment at workplace.

During the year under review, no complaints on sexual harassment were received.

Particulars of Employees, Energy Conservation, Technology

Absorption and Foreign Exchange Earnings and Outgo

- a. During the financial year 2015-16, the Company has not employed anyone with a remuneration in excess of the limits specified in Rule V (2) of the Companies (Appointment and Remuneration of Managerial Personnel).

b. The details of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo are as follows:

| | | |
|-------|--|---|
| (i) | the steps taken or impact on conservation of energy | <ul style="list-style-type: none"> i. Replacement of lower efficiency motors to higher efficiency motors. ii. Electronic Ballast installed instead of copper Ballast. iii. Optimization of cooling tower capacity in line with the Compressors. iv. Optimum utilization of motors in Speed- Frame Machines. v. Arresting of air leakages from Compressors. |
| (ii) | the steps taken by the company for utilizing alternate sources of energy | None |
| (iii) | the capital investment on energy conservation equipment's | Nil |

(b) Technology absorption :

| | | |
|-------|--|-----|
| (i) | the efforts made towards technology absorption | Nil |
| (ii) | the benefits derived like product improvement, cost reduction, product development or import substitution | Nil |
| (iii) | in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) | Nil |
| | (a) the details of technology imported | Nil |
| | (b) the year of import; | Nil |
| | (c) whether the technology been fully absorbed | Nil |
| | (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof and future plan of action | Nil |
| (iv) | the expenditure incurred on Research and Development | Nil |

(c) Foreign exchange earnings and Outgo

(Rs. in Crores)

| | | |
|---|----------|-------|
| 1 | Earnings | 15.85 |
| 2 | Outgo | 0.32 |

Directors' Responsibility Statement

Pursuant to the provisions of Section 134(3)(c) and 134 (5) of the Companies Act, 2013 and based on the representations received from the Operating Management, the Directors hereby confirm :-

- a. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. that 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. 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 Companies Act, 2013 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
- e. that they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively and
- f. that they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Cautionary Statement:

Statements in the Board's Report and 'Management Discussion and Analysis' describing the Company's objectives, estimates, expectations or projections, outlook etc., may be 'forward looking statements' within the meaning of the applicable securities laws and regulations. Actual results may differ materially from those expressed or implied due to factors beyond control. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.

Acknowledgments

Yours Directors acknowledge and thank all stakeholders of the Company viz. customers, members, employees, dealers, vendors, banks and other business partners 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

Place : Mumbai,

Date : July 8, 2016

Ashok Barat

Chairman

Registered Office :

1, 2nd Floor, Ideal Homes,
Near Jayanna Circle,
12th Cross Rajarajeshwari Nagar,
Bangalore- 560 098

Annexure I**Form AOC-I****(Pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)****Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures****Part A: Subsidiaries**

| Name of the Subsidiary | Gokak Power and Energy Limited |
|---|--------------------------------|
| Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 01-Oct-2015 to 31-Mar-2016 |
| Reporting Currency and Exchange rate as on the last date of the relevant financial year in case of Foreign Subsidiaries | Not Applicable |
| Share Capital | 49,00,00,000 |
| Reserves & Surplus | (7,30,83,768) |
| Total Assets | 1,38,54,11,448 |
| Total Liabilities | 96,84,95,214 |
| Turnover | 2,17,41,888 |
| Profit before taxation | (5,59,63,635) |
| Provision for taxation including Deferred Tax | (2,80,53,593) |
| % of shareholding | 51% |

- Notes: 1. Names of subsidiaries which are yet to commence operations - NIL
 2. Names of subsidiaries which have been liquidated or sold during the year - NIL

Part "B" of the Annexure is not applicable as there are no associate Companies/Joint Ventures of the Company as on March 31, 2016.

Mumbai

Date : July 8, 2016

For and on behalf of the Board of Directors

Ashok Barat

Chairman

Annexure II**Form AOC-2****(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)****Form for disclosure of particulars of contracts/ arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

| | | |
|----|---|---|
| 1. | Details of contracts or arrangements or transactions not at arm's length basis | NIL |
| 2. | Details of material contracts or arrangements or transactions at arm's length basis | 01-Oct-2015 to 31-Mar-2016 |
| | a. Name of related party and nature of relationship | Gokak Power & Energy Limited (Subsidiary Company) |
| | b. Nature of contracts / arrangements / transactions | Agreement for purchase of power between Gokak Power & Energy Limited and Gokak Textiles Limited, Holding Company for captive consumption and sale of surplus power. |
| | c. Duration of contracts / arrangements / transactions | 20 years w.e.f. 27.09.2012 |
| | d. Salient terms of the contracts / arrangements / transactions including value, if any | Captive user agrees to pay Rs. 3.65 for every unit of power transferred, subject to conditions laid out in the agreement |
| | e. Dates of Approval by the Board, if any | 13.08.2012 |
| | f. Amount paid as advance, if any | Security Deposit - Rupees One Crore |

Place : Mumbai

Date : July 8, 2016

For and on behalf of the Board of Directors

Ashok Barat

Chairman

Annexure III

Nomination and Remuneration Policy

The Remuneration Committee of Gokak Textiles Ltd., was constituted on 7th July, 2008 consisting of 4 Non-executive Directors. In order to align with the provisions of the Companies Act, 2013 and the Listing Agreement, the Board renamed the "Remuneration Committee" as "Nomination and Remuneration Committee" ('the Committee') with effect from 7th November, 2013. At present, the Committee consists of 3 Directors, out of which, 2 Directors are Independent Directors.

The Nomination and Remuneration Committee and this Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement. The Key Objectives of the Committee would be:

- (a) to guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- (b) to evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- (c) to recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

1. DEFINITIONS :

- (a) Key Managerial Personnel : Key Managerial Personnel means-
 - (i) Chief Executive Officer or the managing director or the manager;
 - (ii) Company Secretary,
 - (iii) Whole-time Director;
 - (iv) Chief Financial Officer; and
 - (v) such other officer as may be prescribed.
- (b) Senior Management : Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

2. OBJECTIVE :

The objective of the remuneration policy for members of the Board, Key Managerial Personnel and the Senior Management is to focus them on improving the performance of the Company and enhancing the value, to motivate and retain them, and to be able to attract other highly qualified executives. In determining the remuneration policy, the Remuneration Committee ensures that a competitive remuneration package for Board-level executive talent is maintained and benchmarked with other peer group companies. In order to link executive remuneration to the Company's performance, the remuneration package includes a significant variable part in the form of an annual performance incentive.

Base salaries are based on a function-related salary system and are in line with market. The annual review date for the base salary is 1st October / 1st April every year.

The Annual Incentive criteria are the financial indicators of the Company such as net income, cash flow and comparable sales growth, and individual/team targets. For members of the Board who are also CEOs, Key Managerial Personnel and the Senior Management, part of the financial targets will be related to specific business objectives. The related targets for the members of the Board are determined annually at the beginning of the year by the Nomination and Remuneration Committee on behalf of the Board and hence are linked to the Company's financial performances well as to the individual /team targets. The financial targets, pursue value creation as the main business objective. The Company has operated an incentive plan, which has served to align the interests of the participating employees with the shareholders' interests and to attract, motivate and retain participating employees.

3. ROLE OF COMMITTEE :

The role of the Committee inter alia will be the following:

- (a) to formulate a criteria for determining qualifications, positive attributes and independence of a Director.
- (b) to recommend to the Board the appointment and removal of Senior Management
- (c) to carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
- (d) to recommend to the Board on
 - (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and
 - (ii) Executive Directors remuneration and incentive.
- (e) to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time

including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;

- (f) ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- (g) to devise a policy on Board diversity;
- (h) to develop a succession plan for the Board and to regularly review the plan;

4. COMMITTEE MEMBERS' INTERESTS :

- (a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- (b) The Committee may invite such executives, experts, as it considers appropriate, to be present at the meetings of the Committee.

5. VOTING :

- (a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- (b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

6. NOMINATION DUTIES :

The duties of the Committee in relation to nomination matters include:

- (a) Ensuring that there is an appropriate induction & training programme in place for new Directors and members of Senior Management and reviewing its effectiveness;
- (b) Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013;
- (c) Identifying and recommending Directors who are to be put forward for retirement by rotation.
- (d) Determining the appropriate size, diversity and composition of the Board;
- (e) Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- (f) Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- (g) Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- (h) Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- (i) Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- (j) Recommend any necessary changes to the Board.
- (k) Considering any other matters as may be requested by the Board; and

7. REMUNERATION DUTIES :

The duties of the Committee in relation to remuneration matters include:

- (a) to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- (b) to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- (c) to delegate any of its powers to one or more of its members or the Secretary of the Committee
- (d) to consider any other matters as may be requested by the Board;
- (e) Professional indemnity and liability insurance for Directors and senior management.

8. MINUTES OF COMMITTEE MEETING :

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

Annexure IV

Disclosure under Section 197(12) and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year ended on March 31, 2016.

During the financial year 2015-16, the Non-Executive Directors of the Board, were paid only sitting fees of Rs. 20,000/- and Rs.10,000/- per meeting of Board and Committees respectively for the year ended March 31, 2016 :

| Director (Non-Executive) | Sitting Fees (Rs in lakhs) | Ratio to Median (No. of times to Median Salary) |
|-------------------------------|-------------------------------|--|
| Mr. Ashok Barat (Chairman) | 1.50 | 0.93:1 |
| Mr. Pradip N. Kapadia | 1.50 | 0.93:1 |
| Mr. Rudra N. Jha | 0.30 | 0.19:1 |
| Mr. Kaiwan D. Kalyaniwalla | 1.00 | 0.62:1 |
| Mr. Vasant N. Sanzgiri | 1.00 | 0.62:1 |
| Mr. D. G. Prasad | 1.20 | 0.74:1 |
| Ms. Zarine K. Commissariat | 0.80 | 0.50:1 |

Remuneration to Executive Director

| Director | Remuneration (Rs in lakhs) | Ratio to Median (No. of times to Median Salary) |
|---|-------------------------------|--|
| Mr. Sachin Kulkarni (Whole time Director) from 01.10.2015 to 31.03.2016 | 18.26 | 11.31:1 |

- Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year : **NIL**
- Percentage increase in the median remuneration of employees in the financial year : **NIL**
- Number of permanent employees on the rolls of Company as on March 31, 2016 were **1707** and in the previous year were **1571**
- Explanation on the relationship between average increase in remuneration and company performance : **N.A.**
- Comparison of the remuneration of the Key Managerial Personnel against the performance of the company: **N.A. as Company has incurred losses.**
- Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variation in the net worth of company as at the close of the current financial year and previous financial year :

| Date | Closing Market . Price in Rs | EPS in Rs | P/E ratio | Market Capitalisation in Rs. crores | % Change |
|------------|---------------------------------|--------------|-----------|--|----------|
| 30.09.2015 | 52.80 | (69.98) | N.A. | 34.31 | 7.97 |
| 31.03.2016 | 46.45 | (36.71) | N.A. | 30.18 | (12.03) |

The Company was incorporated on March 27, 2016 and consequent upon the scheme of Arrangement for the demerger of the Textiles undertaking of Forbes Gokak Limited into Gokak Textiles Limited, approved by High Court, Bombay & High Court of Karnataka at Bangalore, the Textiles and the Knitwear Business of the Textiles undertaking of Forbes Gokak Limited upon coming into effect of the scheme and in consideration for the transfer of and vesting of the Textile and Knitwear Business of the Textile undertaking of Forbes Gokak Limited in Gokak Textile Limited, Gokak Textile Limited issue and allotted equity shares to the shareholders of Forbes Gokak Limited in the proportion of 1(one) fully paid up equity share of Rs. 10 each of Gokak

Textile Limited for every 2(two) equity shares of Rs. 10 each held in Forbes Gokak Limited. As such the information relating to percentage increase/decrease in the marker price of the shares of the Company in comparison to the rate at which the shares were last offered to public, is not applicable.

8. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:
9. Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company : **N.A. as Company has incurred loss.**
10. Key parameters for any variable component of remuneration availed by the directors : **NIL**
11. Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year : **No employee received remuneration in excess of the highest paid Director during the year.**
12. The Company affirms that the remuneration is as per the remuneration policy of the Company:

For and on behalf of the Board of Directors

Place : Mumbai,
Date : July 8, 2016

Ashok Barat
Chairman

Annexure-V

Form No.MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED: 31.03.2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Gokak Textiles Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Gokak Textiles Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the financial year ended on March 31, 2016 (the audit period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company during the audit period according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the Rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of foreign direct investment and overseas direct investment and External Commercial Borrowings (No such transaction took place during the Audit Period);
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (No such transaction took place during the Audit Period);
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No such transaction took place during the Audit Period);
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No such transaction took place during the Audit Period);
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (No such transaction took place during the Audit Period);
- vi. Other laws applicable specifically to the Company namely:
Labour Laws
 - a) All the premises and establishments have been registered with the appropriate authorities.
 - b) The Company has not employed any child labour/Bonded labour in any of its establishments.
 - c) The Company is ensuring the compliance of PF/ESI and other social security measures to the contract employees. One of the responsible officers of the Company carry out the survey regarding the compliance of this.

Environmental Laws

- a) The Company is not discharging the contaminated water at the public drains/rivers. The Company has efficient water treatment plants at its factory premises
- b) The Company has been disposing the hazardous waste as per applicable rules

Textile & Apparel Sector

- a) Additional Duties of Excise (Textiles and Textile Articles) Act, 1978
- b) Textiles Committee Act, 1963
- c) Textiles (Development and Regulation) Order, 2001
- d) Textiles (Consumer Protection) Regulations, 1988

I have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India.
- ii. The Listing Agreements entered into by the Company with the BSE Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, Listing Agreements etc mentioned above.

I further report that the Company has, in my opinion, complied with the provisions of the Companies Act, 2013 and the Rules made under that Act as notified by Ministry of Corporate Affairs and the Memorandum and Articles of Association of the Company, with regard to:

- a) Maintenance of various statutory registers and documents and making necessary entries therein;
- b) Closure of the Register of Members.
- c) Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and the Central Government;
- d) Service of documents by the Company on its Members, Auditors and the Registrar of Companies;
- e) Notice of Board meetings and Committee meetings of Directors;
- f) The Meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- g) The Annual General Meeting held on 28th December 2015;
- h) Minutes of proceedings of General Meetings and of the Board and its Committee meetings;
- i) Approvals of the Members, the Board of Directors, the Committees of Directors and the government authorities, wherever required;
- j) Constitution of the Board of Directors / Committee(s) of Directors, appointment, retirement and reappointment of Directors including the Managing Director and Whole-time Directors;
- k) Payment of remuneration to Directors including the Managing Director and Whole-time Directors;
- l) Appointment and remuneration of Auditors and Cost Auditors;
- m) Transfers and transmissions of the Company's shares and issue and dispatch of duplicate certificates of shares;
- n) Borrowings and registration, modification and satisfaction of charges wherever applicable;
- o) Investment of the Company's funds including investments and loans to others;
- p) form of balance sheet as prescribed under Part I, form of statement of profit and loss as prescribed under Part II and General Instructions for preparation of the same as prescribed in Schedule VI to the Act;
- q) Directors' Report;
- r) Contracts, common seal, registered office and publication of name of the Company; and
- s) Generally, all other applicable provisions of the Act and the Rules made under the Act.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors

and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the year Company has reported to Board for Industrial and Financial Reconstruction (BIFR) of the erosion of net worth as per the provisions of section 23 of The Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

For KIRAN DESAI & ASSOCIATES

Practicing Company Secretary

Kiran Desai

Membership No.: 34875

Certificate of Practice No.: 12924

Place: Bangalore

Date: July 7, 2016

Annexure-VI

Form No.MGT-9

EXTRACT OF ANNUAL REPORT

As at March 31, 2016

(Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014)

1. REGISTRATION AND OTHER DETAILS

| | |
|--|---|
| 1. CIN | L17116KA2006PLC038839 |
| 2. Date of Incorporation | 27.03.2006 |
| 3. Name of the Company | Gokak Textiles Limited |
| 4. Category | Company Limited by Shares |
| 5. Sub-Category of the Company | Indian Non-Government Company |
| 6. Address of the Registered Office and Contact details | # 1, 2nd Floor, 12th Cross, Ideal Homes, Near Jayanna Circle, Rajarajeshwari Nagar, Bengaluru 560 098 Ph: +91 08 29744077, + 91 80 29744078, Fax: +91 08 8029744060 Email: secretarial@gokakmills.com CIN: L17116KA2006PLC038839 Website: www.gokakmills.com |
| 7. Whether Listed or not | Yes |
| 8. Name, Address and Contact details of the Registrar and Transfer Agent, if any | TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E.Moses Road, Near Famous Studio, Mahalaxmi, Mumbai - 400011 Telephone No.:+ 91 22 66568484 Fax No. +91 22 66568494 E-mail : csg-unit@tsrdarashaw.com |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the Business Activities contributing 10% or more of the total turnover of the Company shall be stated

| Sl. No. | Name/Description of Main Products/Services | NIC Code of Product/Service | % to Total Turnover of the Company |
|---------|--|-----------------------------|------------------------------------|
| 1 | Textiles | 131 | 100% |

III. PARTICULARS OF HOLDING SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl. No. | Name and Address of the Company | CIN/GLN | Holding / Subsidiary / Associate | % of Shares Held | Applicable Section |
|---------|---------------------------------|-----------------------|----------------------------------|------------------|--------------------|
| 1 | Gokak Power & Energy Limited | U40103KA2012PLC062107 | Subsidiary | 51% | 2 (87) |

IV) Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)
i) Category-wise Share Holding

| | Category of Shareholders | No. of Shares held at the beginning of the year .i.e 01.10.2015 | | | | No. of Shares held at the end of the year .i.e 31.03.2016 | | | | % Change during the year |
|------------|---|---|-----------------|------------------|-------------------|---|-----------------|------------------|-------------------|--------------------------|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| (1) | A. Promoters | | | | | | | | | |
| (a) | Individuals / Hindu Undivided Family | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Central Government / State Governments(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Bodies Corporate | 47,80,845 | 0 | 47,80,845 | 73.56 | 47,80,845 | 0 | 47,80,845 | 73.56 | 0.00 |
| (d) | Financial Institutions / Banks | 0 | 0 | | 0.00 | 0 | 0 | | 0.00 | 0.00 |
| (e) | Any Other (Specify) | 0 | 0 | | 0.00 | 0 | 0 | | 0.00 | 0.00 |
| | Sub-Total (A) (1) | 47,80,845 | 0 | 47,80,845 | 73.56 | 47,80,845 | 0 | 47,80,845 | 73.56 | 0.00 |
| (2) | Foreign | | | | | | | | | |
| (a) | Individuals (Non-Resident Individuals / Foreign Individuals) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Bodies Corporate | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) | Any Other (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | Sub-Total (A) (2) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | Total Shareholding of Promoter and Promoter Group (A) | 47,80,845 | 0 | 47,80,845 | 73.56 | 47,80,845 | 0 | 47,80,845 | 73.56 | 0.00 |
| (B) | Public Shareholding | | | | | | | | | |
| (1) | Institutions | | | | | | | | | |
| (a) | Mutual Funds / UTI | 76 | 125 | 201 | 0.00 | 76 | 125 | 201 | 0 | 0.00 |
| (b) | Financial Institutions / Banks | 5,975 | 3,843 | 9,818 | 0.15 | 5,975 | 3,843 | 9,818 | 0.15 | 0.00 |
| (c) | Central Government / State Governments(s) | 15,181 | 39,990 | 55,171 | 0.85 | 15,181 | 39,990 | 55,171 | 0.85 | 0.00 |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (e) | Insurance Companies | 2,95,807 | 250 | 2,96,057 | 4.56 | 2,95,807 | 250 | 2,96,057 | 4.56 | 0.00 |
| (f) | Foreign Institutional Investors | 0 | 25 | 25 | 0.00 | 0 | 25 | 25 | 0.0 | 0.00 |
| (g) | Foreign Venture Capital Investors | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (h) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (i) | Foreign Portfolio Investors (Corporate) | 2,00,610 | 0 | 2,00,610 | 3.09 | 2,00,610 | 0 | 2,00,610 | 3.09 | 0.00 |
| | Sub-Total (B) (1) | 5,17,649 | 44,233 | 5,61,882 | 8.65 | 5,17,649 | 44,233 | 5,61,882 | 8.65 | 0.00 |
| (2) | Non-Institutions | | | | | | | | | |
| (a) | Bodies Corporate | 2,72,908 | 5,216 | 2,78,124 | 4.28 | 2,81,569 | 5,216 | 2,86,785 | 4.41 | 0.13 |
| (b) | Individuals - | | | | | | | | | |
| i | Individual shareholders holding nominal share capital upto Rs.1 lakh | 5,48,837 | 2,30,599 | 7,79,436 | 11.99 | 5,56,003 | 2,28,576 | 7,84,579 | 12.07 | 0.08 |
| ii | Individual shareholders holding nominal share capital in excess of Rs. 1 lakh | 74,586 | 0 | 74,586 | 1.15 | 60,782 | 0 | 60,782 | 0.94 | -0.21 |
| (c) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (d) | Any Other | | | | | | | | | |
| (i) | Trust | 320 | 0 | 320 | 0.00 | 320 | 0 | 320 | 0 | 0.00 |
| (ii) | Directors & their relatives | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (iii) | OCBs/Foreign Cos | 23,325 | 790 | 24,115 | 0.37 | 23,325 | 790 | 24,115 | 0.37 | 0.00 |
| | Sub-total (B) (2) | 9,19,976 | 2,36,605 | 11,56,581 | 17.80 | 9,21,999 | 2,34,582 | 11,56,581 | 17.80 | 0.00 |
| | Total Public Shareholding (B) = (B)(1)+(B)(2) | 14,37,625 | 2,80,838 | 17,18,463 | 26.44 | 14,39,648 | 2,78,815 | 17,18,463 | 26.44 | 0.00 |
| | TOTAL (A)+(B) | 62,18,470 | 2,80,838 | 64,99,308 | 100.00 | 62,20,493 | 2,78,815 | 64,99,308 | 100.00 | 0.00 |

| | | | | | | | | | | |
|---|--|--|----------------------------------|--|--|---|--|--|----------------------------------|-------------|
| (C) | Shares held by Custodians and against which Depository Receipts have been issued | | | | | | | | | |
| (1) | Promoter and Promoter Group | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (2) | Public | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | GRAND TOTAL (A)+(B)+(C) | 62,18,470 | 2,80,838 | 64,99,308 | 100.00 | 62,20,493 | 2,78,815 | 64,99,308 | 100.00 | 0.00 |
| ii) Shareholding pattern of Promoter- | | | | | | | | | | |
| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year 01.10.2015 | | | Shareholding at the end of the year 31.03.2016 | | | % change in shareholding during the year | | |
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged/encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged/encumbered to total shares | | | |
| 1 | Shapoorji Pallonji And Company Private Limited | 47,80,845 | 73.56 | 0.00 | 47,80,845 | 73.56 | 0.00 | 0.00 | | |
| | Total | 47,80,845 | 73.56 | 0.00 | 47,80,845 | 73.56 | 0.00 | 0.00 | | |
| iii) Change in Promoter's Shareholding (please specify, if there is no change) | | | | | | | | | | |
| | Name of the Shareholder | Shareholding at the beginning of the year as on 01.10.2015 | | Date | Reason | Increase/Decrease in Shareholding | | Cumulative Shareholding during the year | | |
| | | No. of Shares | % of total shares of the company | | | No. of Shares | % of total shares of the company | No. of Shares | % of total shares of the company | |
| 1 | Shapoorji Pallonji And Company Private Limited | 47,80,845 | 73.56 | | | | | 47,80,845 | 73.56 | |
| | | | | - | No Change | 0 | 0.00 | 47,80,845 | 73.56 | |
| | | | | 31.03.2016 | At the end of the year | - | - | 47,80,845 | 73.56 | |
| IV) Shareholding of Top 10 Shareholders(other than Directors, Promoters and holders of GDR's and ADR's) | | | | | | | | | | |
| | Name of the ShareHolder | Shareholding at the beginning of the year as on 01.10.2015 | | Date | Reason | Purchase of Shares/Decrease in Shareholding | | Commutative Shareholding during the year | | |
| | | No of Shares | % of total Shares of the Company | | | No of Shares | % of total shares of the company | No. of Shares | % of total Shares of the company | |
| 1 | Life Insurance Corporation Of India | 2,95,807 | 4.55 | | | | | 2,95,807 | 4.55 | |
| | | | | - | No Change | 0 | 0.00 | 2,95,807 | 4.55 | |
| | | | | 31-Mar-2016 | At the end of the year | | | 2,95,807 | 4.55 | |
| 2 | India Discovery Fund Limited | 2,00,610 | 3.09 | | | | | 2,00,610 | 3.09 | |
| | | | | - | No Change | 0 | 0.00 | 2,00,610 | 3.09 | |
| | | | | 31-Mar-2016 | At the end of the year | | | 2,00,610 | 3.09 | |
| 3 | Neoworth Commercial Private Limited | 1,44,851 | 2.23 | | | | | 1,44,851 | 2.23 | |
| | | | | - | No Change | 0 | 0.00 | 1,44,851 | 2.23 | |
| | | | | 31-Mar-2016 | At the end of the year | | | 1,44,851 | 2.23 | |
| 4 | Governor Of Kerala | 39,990 | 0.62 | | | | | 39,990 | 0.62 | |
| | | | | - | No Change | 0 | 0.00 | 39,990 | 0.62 | |
| | | | | 31-Mar-2016 | At the end of the year | | | 39,990 | 0.62 | |
| 5 | Yonkers Finance Corporation Limited | 23,325 | 0.36 | | | | | 23,325 | 0.36 | |
| | | | | - | No Change | 0 | 0.00 | 23,325 | 0.36 | |
| | | | | 31-Mar-2016 | At the end of the year | | | 23,325 | 0.36 | |
| 6 | Religare Securities Ltd # | 3 | 0.00 | | | | | 3 | 0.00 | |
| | | | | 09-Oct-2015 | Sale of Shares | -3 | 0.00 | 0 | 0.00 | |
| | | | | 11-Dec-2015 | Purchase of Shares | 33 | 0.00 | 33 | 0.00 | |
| | | | | 18-Dec-2015 | Sale of Shares | -33 | 0.00 | 0 | 0.00 | |
| | | | | 28-Dec-2015 | Purchase of Shares | 1 | 0.00 | 1 | 0.00 | |

| | | | | | | | | | |
|---|--|--------|------|-------------|------------------------|--------|-------|--------|------|
| | | | | 31-Dec-2015 | Purchase of Shares | 50 | 0.00 | 51 | 0.00 |
| | | | | 31-Dec-2015 | Sale of Shares | -1 | 0.00 | 50 | 0.00 |
| | | | | 01-Jan-2016 | Purchase of Shares | 50 | 0.00 | 100 | 0.00 |
| | | | | 15-Jan-2016 | Purchase of Shares | 50 | 0.00 | 150 | 0.00 |
| | | | | 22-Jan-2016 | Sale of Shares | -65 | 0.00 | 85 | 0.00 |
| | | | | 22-Jan-2016 | Purchase of Shares | 15 | 0.00 | 100 | 0.00 |
| | | | | 29-Jan-2016 | Sale of Shares | -65 | 0.00 | 35 | 0.00 |
| | | | | 19-Feb-2016 | Purchase of Shares | 20,000 | 0.31 | 20,035 | 0.31 |
| | | | | 31-Mar-2016 | At the end of the year | | | 20,035 | 0.31 |
| 7 | Shilpa Porinju Veliyath | 20,000 | 0.31 | 20-Nov-2015 | Sale of Shares | -151 | 0.00 | 19,849 | 0.31 |
| | | | | 31-Mar-2016 | At the end of the year | | | 19,849 | 0.31 |
| 8 | Thirdwave Business Aids Private Limited | 30,420 | 0.47 | | | | | 30,420 | 0.47 |
| | | | | 09-Feb-2016 | Sale of Shares | -3,700 | -0.06 | 26,720 | 0.41 |
| | | | | 12-Feb-2016 | Sale of Shares | -1,239 | -0.02 | 25,481 | 0.39 |
| | | | | 26-Feb-2016 | Sale of Shares | -5,000 | -0.08 | 20,481 | 0.32 |
| | | | | 11-Mar-2016 | Sale of Shares | -2,429 | -0.04 | 18,052 | 0.28 |
| | | | | 31-Mar-2016 | At the end of the year | | | 18,052 | 0.28 |
| 9 | Ghanshyam Shares & Stock Brokers Pvt. Ltd. | 18,614 | 0.29 | | | | | 18,614 | 0.29 |
| | | | | 23-Oct-2015 | Sale of Shares | -43 | 0.00 | 18,571 | 0.29 |
| | | | | 30-Oct-2015 | Purchase of Shares | 6 | 0.00 | 18,577 | 0.29 |
| | | | | 06-Nov-2015 | Sale of Shares | -437 | -0.01 | 18,140 | 0.28 |
| | | | | 06-Nov-2015 | Purchase of Shares | 475 | 0.01 | 18,615 | 0.29 |
| | | | | 13-Nov-2015 | Sale of Shares | -1,910 | -0.03 | 16,705 | 0.26 |
| | | | | 13-Nov-2015 | Purchase of Shares | 1,585 | 0.02 | 18,290 | 0.28 |
| | | | | 20-Nov-2015 | Purchase of Shares | 1,332 | 0.02 | 19,622 | 0.30 |
| | | | | 20-Nov-2015 | Sale of Shares | -2,060 | -0.03 | 17,562 | 0.27 |
| | | | | 27-Nov-2015 | Purchase of Shares | 671 | 0.01 | 18,233 | 0.28 |
| | | | | 04-Dec-2015 | Sale of Shares | -173 | 0.00 | 18,060 | 0.28 |
| | | | | 04-Dec-2015 | Purchase of Shares | 300 | 0.00 | 18,360 | 0.28 |
| | | | | 11-Dec-2015 | Sale of Shares | -692 | -0.01 | 17,668 | 0.27 |
| | | | | 18-Dec-2015 | Sale of Shares | -125 | 0.00 | 17,543 | 0.27 |
| | | | | 22-Dec-2015 | Sale of Shares | -100 | 0.00 | 17,443 | 0.27 |
| | | | | 22-Dec-2015 | Purchase of Shares | 10 | 0.00 | 17,453 | 0.27 |
| | | | | 25-Dec-2015 | Sale of Shares | -100 | 0.00 | 17,353 | 0.27 |
| | | | | 28-Dec-2015 | Sale of Shares | -3,000 | -0.05 | 14,353 | 0.22 |
| | | | | 31-Dec-2015 | Sale of Shares | -100 | 0.00 | 14,253 | 0.22 |
| | | | | 15-Jan-2016 | Purchase of Shares | 125 | 0.00 | 14,378 | 0.22 |
| | | | | 22-Jan-2016 | Purchase of Shares | 200 | 0.00 | 14,578 | 0.22 |
| | | | | 12-Feb-2016 | Purchase of Shares | 415 | 0.01 | 14,993 | 0.23 |
| | | | | 19-Feb-2016 | Sale of Shares | -1 | 0.00 | 14,992 | 0.23 |
| | | | | 26-Feb-2016 | Purchase of Shares | 197 | 0.00 | 15,189 | 0.23 |

| | | | | | | | | | |
|----|---|--------|------|-------------|------------------------|---------|-------|--------|------|
| | | | | 11-Mar-2016 | Purchase of Shares | 200 | 0.00 | 15,389 | 0.24 |
| | | | | 18-Mar-2016 | Sale of Shares | -100 | 0.00 | 15,289 | 0.24 |
| | | | | 31-Mar-2016 | Purchase of Shares | 200 | 0.00 | 15,489 | 0.24 |
| | | | | 31-Mar-2016 | At the end of the year | | | 15,489 | 0.24 |
| 10 | Kerala State Industrial Development Corporation | 15,181 | 0.23 | | | | | 15,181 | 0.23 |
| | | | | - | No Change | 0 | 0.00 | 15,181 | 0.23 |
| | | | | 31-Mar-2016 | At the end of the year | | | 15,181 | 0.23 |
| 11 | Kamal Kumar Goyal* | 27646 | 0.43 | | | | | 27646 | 0.43 |
| | | | | 19-Feb-2016 | Sale of shares | -20,000 | -0.31 | 7646 | 0.12 |
| | | | | 31-Mar-2016 | At the end of the year | | | 7646 | 0.12 |

* Ceased to be in the list of top 10 as on March 31, 2016. The same is reflected above since the shareholder was one of the top 10 shareholders as on October 1, 2015.

Not in the list of top 10 shareholders as on April 1, 2015. The same is reflected above since the shareholder was one of the top 10 shareholder as on March 31, 2016.

V) Shareholding of Directors and Key Managerial Personnel:

| Sl. No. | Particulars | Shareholding at the beginning | | Cumulative Shareholding | |
|---------|---|--|-------------------|-------------------------|-------------------|
| | | No. of shares | % of total shares | No. of shares | % of total shares |
| 1 | At the beginning of the year | None of the Directors held shares in the Company at the beginning of the year | | | |
| 2 | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | None of the Directors had any transaction in the shares of the Company during the year | | | |
| 3 | At the end of the year | None of the Directors held shares in the Company at the end of the year | | | |

V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|-------------------------------------|--------------------|----------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i. Principal Amount | 53.54 | 37.51 | - | 91.05 |
| ii. Interest due but not paid | - | | | |
| iii. Interest accrued but not due | 0.38 | - | - | 0.38 |
| iv. Premium accrued but not due on NCD | | | | |
| v. Credit Card Utilisation Total (i+ii+iii+iv+v) | - | - | - | - |
| Change in Indebtedness during the financial year | 68.11 | - | - | 68.11 |
| * Addition | 121.03 | 37.51 | - | 159.54 |
| * Reduction | | | | |
| Net Change | | | | |
| Indebtedness at the end of the financial year | | | | |
| i. Principal Amount | | | | |
| ii. Interest due but not paid | | | | |
| iii. Interest accrued but not due | | | | |
| iv. Premium accrued but not due on NCD | | | | |
| v. Credit Card Utilisation Total (i+ii+iii+iv+v) | | | | |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL
A. REMUNERATION TO MANAGING DIRECTOR, WHOLE TIME DIRECTOR AND/OR MANAGER

| S. No. | Particulars of Remuneration | Name of the Whole Time Director Mr. Sachin Kulkarni From 01 Oct 2015 to 31 Mar 2016 |
|--------|--|--|
| 1. | Gross Salary | In Rupees |
| | (a) Salary as per provisions contained in Sec (17) (1) of the Income Tax Act, 1961 | 1662300 |
| | (b) Value of perquisites u/s (17) (2) of the Income Tax Act, 1961 | 163485 |
| | (c) Profits in lieu of salary under section (17) (2) of the Income Tax Act, 1961 | 0.00 |
| 2. | Stock Option | |
| 3. | Sweat Equity | 0.00 |
| 4. | Commission - as % of profit - others, specify... | 0.00 |
| 5. | Others - please specify | 0.00 |
| 6. | Total (A) | 1825785 |
| 7. | Ceiling as per the Companies Act, 2013 | 4200000 |

B. REMUNERATION TO OTHER DIRECTOR

In Rupees

| Sl. No. | Particulars of Remuneration | Fees for attending Board/ Committee Meetings | Commission | Others pleases specify | Total |
|-----------|--------------------------------------|--|------------|---------------------------|---------------|
| 1 | Independent Directors | | | | |
| | Mr.Pradip N Kapadia | 150000 | - | - | 150000 |
| | Mr.R.N.Jha | 30000 | - | - | 30000 |
| | Mr.Kaiwan D. Kalyaniwalla | 100000 | - | - | 100000 |
| | Mr.D.G.Prasad | 120000 | - | - | 120000 |
| | Total (1) | 400000 | - | - | 400000 |
| 2. | Other Non-Executive Directors | | | | |
| | Mr.Ashok Barat | 150000 | - | - | 150000 |
| | Mr.Vasant Sanzgiri | 100000 | - | - | 100000 |

| | | | | | |
|--|-------------------------------|--------|---|---|--------|
| | Ms.Zarine K. Commissariat | 80000 | - | - | 80000 |
| | Total (2) | 330000 | - | - | 330000 |
| | Total (B)=(1+2) | 730000 | - | - | 730000 |
| | Total Managerial Remuneration | - | - | - | - |
| | Overall Ceiling as per the | - | - | - | - |
| | Companies Act, 2013 | - | - | - | NA |

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD **In Rupees**

| S. No. | Particulars of Remuneration | Key Managerial Personnel | |
|--------|--|---|--|
| | | Chief Financial Officer Mr. Vikram Nagar 29.03.2016 to 31.03.2016 | Company Secretary Late Mr. K. Ramananda Pai 01.10.2015 to 16-02-2016 |
| 1. | Gross Salary | | |
| | (a) Salary as per provisions contained in Sec (17) (1) of the Income Tax Act, 1961 | 25653 | 702079 |
| | (b) Value of perquisites u/s (17) (2) of the Income Tax Act, 1961 | NIL | NIL |
| | (c) Profits in lieu of salary under section (17) (2) of the Income Tax Act, 1961 | NIL | NIL |
| 2. | Stock Option | 0.00 | 0.00 |
| 3. | Sweat Equity | 0.00 | 0.00 |
| 4. | Commission - as % of profit - others, specify... | 0.00 | 0.00 |
| 5. | Others - please specify | 0.00 | 0.00 |
| | Total (A) | 25653 | 702079 |

VII. PENALTIES / PUNISHMENTS/COMPOUNDING OF OFFENCES

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding/ Fees imposed | Authority [RD/NCLT/ COURT] | Appeal made, if any |
|-----------|--|-------------------|--|----------------------------|---------------------|
| A. | Company Penalty Punishment Compounding | | None and Not Applicable | | |
| B. | Directors Penalty Punishment Compounding | | None and Not Applicable | | |
| C. | Other Officers in Default Penalty Punishment Compounding | | None and Not Applicable | | |

Report on Corporate Governance

1. Brief statement on company's philosophy on code of governance:

The Corporate Governance comprises a unique combination of factors like compliance of statutory regulations, transparency, accountability, voluntary practices and disclosures.

The Company's corporate governance philosophy encompasses not only compliance with regulatory and legal requirements, but also practices aimed at business ethics, effective supervision and enhancement of value for all stakeholders. The corporate governance policy of the Company has laid emphasis on transparency, accountability, integrity, responsibility and value creation and the Company has been adhering to the policy over the years. Your Company has a strong commitment to the principles that underline the effective Corporate Governance.

Directors are pleased to place here below the Company's philosophy on the Code of Governance is that the Company should follow contemporary corporate practices as followed by other companies similarly placed and the guiding principle of the Code of Governance of the Company is HARMONY i.e. -

- (a) Balancing need for transparency with the need to protect the interests of the Company.
- (b) Balancing the need for empowerment at all levels with the need for accountability and
- (c) Interaction with all stakeholders including shareholders, employees, lenders and regulatory authorities.

2. Board of Directors :

(a) Composition of Board

The Board of Directors are persons of integrity and having wide range of experience and skills. As on March 31, 2016, the Board comprises of seven(7) Directors, The Chairman of the Board is Non-executive. Six(6) (%) are Non-Executive and Three(3)(50%) of them are one Executive Director viz Whole-time Director. The Company is managed by Whole-time Director under the supervision, direction and control of the Board. The Independent Directors are professionals with high credentials, who actively contribute in the deliberations of the Board, covering all strategic policy matters and strategic decisions.

The composition of the Board is in conformity with Regulation 17 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015. (SEBI (LODR),2015)

(b) Role of Board of Directors

Directors plays primary role in ensuring good governance, smooth functioning of the Company and in the creation of shareholder value. The Board's role, functions, responsibility and accountability are defined. As Board's primary role is fiduciary in nature, it is responsible for ensuring that the Company runs on sound ethical business practices and that the resources of the Company are utilized in a manner so as to create sustainable growth and value for the Company's shareholders and the other stakeholders and also to fulfil the aspirations of the society and the communities in which it operates. As part of its function, Board periodically review all the relevant information which is required to be placed before it pursuant to Regulation 17(7) of SEBI (LODR), 2015 and in particular reviews and approves corporate strategies, business plans, annual budgets, projects and capital expenditure. Board monitors the Company's overall corporate performance directs and guides the activities of the Management towards the set goals and seek accountability. Board also sets standard of corporate behaviour, ensure transparency in corporate dealings and compliance with the laws and regulations.

(c) Board Meetings

The Board met at least once in each quarter, and the maximum time gap between two Board Meetings did not exceed the time limit prescribed in regulation 17(2) of SEBI (LODR), 2015.

During the year under review,6 (six) Board meetings were held on November 23, 2015, December 28, 2015, January 8, 2016, February 5,2016, March 11, 2016, and March 29, 2016.

The Notice of Board / Committee Meetings are given well in advance to all the Directors. The Agenda of the Board/Committee meetings is circulated a week prior to the date of the meeting. The Agenda for the Board and Committee meetings includes detailed notes on the items to be discussed at the meeting to enable the Directors to take an informed decision. At the Board Meeting, detailed presentations are made to the Board .The Board Members discuss each agenda items in detail before taking a decision. However, in case of urgent business and time bound compliances, the Board's approval is taken by passing resolutions by circulation, as permitted by law which is

confirmed in the subsequent Board meeting .The Company also uses video conferencing facility to enable participation of Directors in the Board/Committee Meetings.

The names and categories of the Directors on the Board, their attendance at the Board Meetings and Annual General Meeting(AGM) held during the year, the number of Chairmanships/ Directorships of all Boards excluding alternate directorship, directorships of private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 and the Committees of Board(Chairmanship/Membership of Board Committees include only Audit Committee and Stakeholders' Relationship Committee across all public limited companies (listed as well as unlisted) including those of the Company), held by them as on March 31, 2016 are as follows:

| Sl. NO. | Name of the Director | Category | Number of Board Meetings During 2015-2016 | | Attendance at AGM held on December 28, 2015 | Number of shares held | Relationship with other Director | No. of Director ships in all Public Companies | No. of Committee Positions held in all Public Companies | |
|---------|--|-------------------------------|---|----------|---|-----------------------|----------------------------------|---|---|--------|
| | | | Held | Attended | | | | | Chairman | Member |
| 1. | Mr. R.N. Jha # | Non-Executive Independent | 6 | 1 | No | NiL | None | 4 | 2 | 1 |
| 2. | Mr. Ashok Barat , Chairman | Non-Executive Non Independent | 6 | 6 | Yes | NIL | None | 6 | 1 | 4 |
| 3. | Mr. Sachin Kulkarni Whole time Director | Executive Non Independent | 6 | 5 | Yes | NIL | None | 2 | - | - |
| 4. | Mr. Pradip N. Kapadia | Non-Executive Independent | 6 | 6 | Yes | NIL | None | 5 | 3 | 5 |
| 5. | Mr. Kaiwan D. Kalyaniwalla | Non-Executive Independent | 6 | 5 | No | NIL | None | 5 | 2 | 1 |
| 6. | Mr. Vasant Sanzgiri | Non-Executive Non Independent | 6 | 6 | Yes | NIL | None | 2 | - | - |
| 7. | Mr. D.G. Prasad | Non-Executive Independent | 6 | 5 | Yes | NIL | None | 4 | 1 | - |
| 8. | Ms. Zarine K. Commissariat | Non-Executive Non-Independent | 6 | 6 | Yes | NIL | None | 1 | - | - |

Ceased to be Director with effect from December 30 ,2015.

3. Meeting of Independent Directors:

The Independent Directors met on June 21, 2016 to discuss:

- Evaluation of the performance of Non-Independent Directors and the Board as a whole.
- Evaluation of the performance of the Chairman of the Company taking into account the views of the Executive Directors and Non-Executive Directors.
- Evaluation of quality content and time lines of flow of information between the Management and the Board that is necessary for the Board to effective and reasonably perform duties.

The meeting was attended by all Independent Directors.

4. Audit Committee:

The Company has an Audit Committee at the Board level which acts as a link between the Management, the Statutory and Internal Auditors and the Board of Directors and oversees the financial reporting process. It interacts with statutory, internal auditors and cost auditors and reviews and recommends their appointment and remuneration. The Audit Committee is provided with necessary assistance and information so as to enable it to carry out its function effectively.

(i) Brief description of terms of reference :

The scope of the functioning of the Audit Committee is to review, from time to time, the audit and internal control procedures, the accounting policies of the Company, oversight of the Company's financial reporting process so also to ensure that the financial statements are correct, sufficient and credible and it performs such other functions and role and exercises the powers as are recommended from time to time by SEBI, Stock Exchanges and/or under the Companies Act, 2013.

Audit Committee mandatory reviews the following information:

- Company's financial reporting process, Quarterly and Annual financial statements and financial/risk management policies.
- Statement of significant related party transactions
- Management letters/letters of internal control weakness, if any, issued by the statutory auditors
- Adequacy of the internal control systems and functioning of the Internal Audit team
- Appointment, removal and terms of remuneration of the Auditors.

The Whole time Director is a permanent invitee to the Audit Committee Meetings.

The statutory auditors, branch auditors and internal auditors of the Company are also invited to the Audit Committee Meetings. Cost Auditors are also invited to the Audit Committee Meetings whenever matters relating to the Cost Audit are considered. Discussions with the management are held and the external auditors, the audit plan for the financial year and a joint post-audit review of the same.

(ii) Composition of the Committee :

The Audit Committee comprises of 3 Directors, out of which 2 directors are Independent Directors and 1 Non-Executive Non-Independent Director. The Chairman of the Audit Committee is an Independent Director. All the Members of the Committee have relevant expertise in accounting and financial Management.

(iii) Meetings and Attendance :

During the year under review, the 3 (Three) meetings were held on November 23,2015 February 5,2016, and March 29,2016 .The gap between two consecutive Meetings was not more than 120 days.

The composition, name of Members, Chairperson and Attendance at the Meeting is as under:

| SL. No | Name | Description | Category | No. of AC Meetings held | No. of AC Meetings attended |
|--------|-----------------------|-------------|-------------------------------|-------------------------|-----------------------------|
| 1. | Mr. R.N.Jha * | Chairman | Non-Executive Independent | 3 | 1 |
| 2. | Mr. Ashok Barat | Member | Non-Executive Non Independent | 3 | 3 |
| 3. | Mr. D.G.Prasad # | Chairman | Non-Executive Independent | 3 | 2 |
| 4. | Mr. Pradip N. Kapadia | Member | Non-Executive Independent | 3 | 3 |

* Ceased to be Director with effect from December 30, 2015.

Appointed Chairman with effect from March 29, 2016.

The Chairman of the Audit Committee was present at the last Annual General Meeting

5. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee is responsible for determining the compensation payable to Managing Director and Whole-time Director and others based on industry practices and performance of individuals.

(i) Brief description of terms of reference:

- Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommending to the Board their appointment and removal.
- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- Formulating the criteria for evaluation of Independent Directors and the Board as a whole.
- Devising a policy on Board diversity.
- Considering and ensuring the compliance of provisions under schedule V of the Companies Act, 2013 for appointing and fixing remuneration of Managing Director/Whole time Directors.
- Approving the remuneration after taking into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee.

7. Reviewing and determining all elements of remuneration package striking the balance between the interest of the Company and the shareholders
8. All information about the Directors/Managing Director/Whole time Directors/Key Managerial Personnel i.e. background details, past remuneration, recognition or awards, job profile etc., shall be considered and disclosed to shareholders, wherever required.

(ii) Composition of the Committee :

The Nomination and Remuneration Committee comprises of 3 Non-executive Directors, out of which 2 directors are Independent Directors..

(iii) Meetings and attendance :

During the year under review, 1 Meeting was held on March 11, 2016. The composition of the Committee and details of meeting attended by the members are as follows:

| SL.No | Name | Description | Category | No. of NRC Meetings held | No. of NRC Meetings attended |
|-------|---------------------------|-------------|-------------------------------|--------------------------|------------------------------|
| 1. | Mr. Kaiwan D. Kalyaniwlla | Chairman | Non-Executive Independent | 1 | 1 |
| 2. | Mr. Pradip Kapadia | Member | Non-Executive Independent | 1 | 1 |
| 3. | Mr. Vasant Sanzgiri | Member | Non-Executive Non-Independent | 1 | 1 |

(iv) Remuneration Policy :

The 'Remuneration Policy' of the Company for managerial personnel is based on the performance, experience and responsibilities.

The remuneration of the Whole time director is determined periodically by the Nomination and Remuneration Committee within the permissible limits under the applicable provisions of law and as approved by Shareholders. The Nomination and 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 Non-executive Directors are paid sitting fees within the limits prescribed under law.

The compensation of the employees is reviewed on an annual basis as per the Performance Management Process and Compensation Policy.

(v) Details of Remuneration :

All decisions relating to the remuneration of the Directors were taken by the Board of Directors based on the recommendation of the Nomination and Remuneration Committee and in accordance with the Shareholders approval wherever required.

Details of remuneration paid to Directors during the year ended March 31, 2016 are as follows:

A) Non-Executive Directors

| Name of director | Sitting fees Rs. | Commission Paid | Total Rs. |
|---------------------------|------------------|-----------------|-----------|
| Mr. Ashok Barat | 150000 | Nil | 150000 |
| Mr. Pradip N Kapadia | 150000 | Nil | 150000 |
| Mr. R.N. Jha # | 30000 | Nil | 30000 |
| Mr. Kaiwan Kalyaniwalla | 100000 | Nil | 100000 |
| Mr. Vasant Sanzgiri | 100000 | Nil | 100000 |
| Mr. D.G. Prasad | 120000 | Nil | 120000 |
| Ms. Zarine K Commissariat | 80000 | Nil | 80000 |

Ceased to be Director with effect from December 30, 2016.

(B) Remuneration paid to the Whole time Director

| | Rs. Mr.Sachin Kulkarni (From 1.10.2015 to 31.03.2016) |
|--------------------------|---|
| Salary and allowance | 14,59,800 |
| Benefits and perquisites | 163485 |
| Bonus/Commission* | -- |
| Total | 16,23,285 |
| PF & Superannuation Fund | 202,500 |

* Performance Linked, others are fixed. Performance criteria include level of profits, reduction of costs, improvement of liquidity, steps taken for growth of business both the Company and its subsidiary.

6. Stakeholders' Relationship Committee :

The Committee considers and resolves the grievances of shareholders. The Committee looks into various issues relating to shareholders/investors, approve transfer and transmission of shares, non receipt of annual report, rematerialization of shares, issue of duplicate share certificates etc.,

The Composition of the Stakeholders' Relationship Committee is as follows:

| Name of Director | Designation | Category |
|-----------------------|-------------|----------------------------------|
| Mr. Ashok Barat | Chairman | Non-Executive Non-Independent |
| Mr. Pradip Kapadia | Member | Non-Executive Independent |
| Mr. Sachin Kulkarni # | Member | Executive |
| Mr. Vikram V. Nagar * | Member | Executive |

Resigned with effect from May 16, 2016.

* Approved with effect from May 27, 2016.

There is no unresolved complaint as on March 31, 2016.

7. Corporate Social Responsibility Committee (CSR)

As per the requirement of Section 135(1) of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the CSR Committee was constituted by the Board at its Meeting held on August 13, 2013. The Committee comprises 3 Members viz. Mr. Kaiwan D. Kalyaniwalla, Independent Director, Mr. Pradip N. Kapadia Independent Director and Mr. Vasant Sanzgiri, Non-executive Non-Independent Director. The CSR Committee has formulated and recommended to the Board the CSR Policy of the Company.

During the year under review, due to net loss, the Company has not earmarked any amount on CSR Activities as specified in the Schedule VII. However, the Company is running schools and hospitals for the workers, employees and 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.

There were no meetings of CSR Committee held during the financial year ended March 31, 2016.

8. Code of Conduct for Board of Directors and Senior Management

The Company has adopted a Code of Conduct for Board of Directors and Senior Management ("the Code") which will uphold ethical values and legal standards as the Company pursues its objectives. 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 ended March 31, 2016. The Annual Report contains a declaration to this effect signed by the Chairman.

9. Vigil Mechanism/ Whistle Blower Policy

The Company has established vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The mechanism provides adequate safeguards against victimization of director(s), employees(s) who avail of the mechanism and also provide direct access to the Chairman of the Audit Committee. The Whistle Blower Policy has been posted on the Company's website www.gokakmills.com. The Company affirms that no personnel has been denied access to the Audit Committee.

10. Subsidiary Company

The Company has a material, non-listed, Indian subsidiary company viz., Gokak Power & Energy Ltd., Two Independent Directors of the holding company are also Independent Directors on the subsidiary company. The Audit Committee reviews the financial statements and in particular, the investments made by the unlisted subsidiary company. The Minutes of the Board Meetings as well as statements of all significant transactions and arrangements of the subsidiary company are placed at the Board Meeting(s) of the Holding Company.

11. Risk Management

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures periodically reviewed to ensure that executive management controls the risks through properly defined framework.

The Audit Committee reviews the adequacy of the risk management framework of the Company, the key risks associated with the business of the Company and the measures and steps in place to minimize the same and thereafter the details are presented to and discussed at the Board Meeting. The risk management issues are discussed in the Management Discussion and Analysis, which form part of this report.

The Company follows all relevant Accounting Standards while preparing the Financial Statements.

12. Disclosures**(a) Basis of Related Party transactions:**

No materially significant Related Party Transactions has been entered into by the Company with the Promoters, Directors or the Management, KMPs or their relatives etc., that may have potential conflict with the interests of the Company at large except purchase of power for captive consumption and for sale, from the subsidiary Company viz., Gokak Power & Energy Ltd.,

A comprehensive list of related party transactions as required by the Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India forms part of the Notes of the Financial Statement to the Accounts in the Annual Report.

The Company has disclosed the policy on dealing with Related Party Transaction's and a policy on material subsidiary on its website www.gokakmills.com

(b) Disclosure of Accounting Treatment:

The Company follows all relevant Accounting Standards.

(c) Proceeds from Public issue, rights issue, preferential issues, etc.,

During the year under review, the Company has issued 2 crores Preference Shares of Rs.10/- each amounting to Rs.20 crores to Shapoorji Pallonji and Company Private Limited, Promoter of the Company, on Private Placement basis..

(d) Management Discussion and Analysis Forms:

Management Discussion and Analysis part of the Annual Report

13. Compliance

- (i) Certificate from the Practicing Company Secretary on compliance with the corporate governance requirements by the Company is annexed to this Report.
- (ii) No strictures/penalties have been imposed on the Company by the Bombay Stock Exchange Ltd., or the Securities & Exchange Board of India (SEBI) or any statutory authority on any matter related to capital markets, during the last 3 year
- (iii) Details of Directors seeking appointment, re-appointment has been provided in the annexure to the Notice of the Annual General Meeting.

14. CEO/CFO Certification

As required by the Regulation 17(8) of SEBI (LODR), 2015 a Certificate from Mr. Vikram V Nagar, Whole time Finance Director was placed before the Board of Directors at their meeting held on July 8, 2016.

15. Status of compliance of Non-mandatory requirement

- (a) Financial performance including summary of significant events are sent to Stock Exchanges, financial results on quarterly basis and annual reports are published in the newspapers and uploaded on the Company's website, same are not sent to the shareholders.
- (b) The Chairman of the Board is a Non-Executive Director and his position is separate from that of the Whole-time Director.
- (c) Internal Auditors, appointed by the Company are directly reporting to the Audit Committee.

16. General Body Meetings**(i) Details of Annual General Meetings**

During the last 3 years, the Annual General Meetings (AGM) of the Company was held as follow:

| AGM | Date of the AGM | Time | Venue |
|---------|-------------------|-----------|--|
| 7th AGM | December 24, 2013 | 3.00 p.m. | Khincha Hall, Bharatiya Vidya Bhavan Race Course Road Bangalore -560001 |
| 8th AGM | December 29, 2014 | 3.00 p.m. | Khincha Hall, Bharatiya Vidya Bhavan Race Course Road Bangalore -560001 |
| 9th AGM | December 28, 2015 | 3.00 p.m. | Khincha Hall, Bharatiya Vidya Bhavan Race Course Road Bangalore -560001 |

(i) **Details of special resolutions passed in the previous 3 AGMs :**

| | |
|-----------------------------------|--|
| 7th AGM dated 24th December, 2013 | Reappointment of Mr. H. S. Bhaskar, Executive Director and CEO as Whole time Director for a period of 3 years from 31.07.2013 to 30.07.2016 |
| 8th AGM dated 29th December, 2014 | (1) Approval of borrowing limits of the Company under Section 180(1)(c) of the Companies Act, 2013 (2) Approval for creation of charges on the assets of the Company. |
| 9th AGM dated 28th December, 2015 | No Special Resolution was passed at the AGM held on December 28, 2015. |

(iii) (a) Whether any special resolution passed last year through postal ballot : No

17. Means of communication :

(i) **Quarterly results :** The Quarterly results are published in newspapers.

(ii) **Newspapers wherein results normally published :**

Quarterly and Annual results were published in Business Standard, Samyukta Karnataka/ Vijayavani (Kannada Daily)

(iii) **Any website, where results or Official news are displayed :**

Results are made available on the Company's website www.gokakmills.com and also made available to the BSE Ltd., in the prescribed form which would enable them to place it on their website i.e. www.bseindia.com

(iv) **The presentation made to institutional investors or to the analyst:**

The Company does not have a practice of making presentation to institutional investors and analysts.

18. General Shareholder Information :

| | | |
|---|--|---|
| a | Annual General Meeting Date, time and venue | Next Annual General Meeting of the Company is scheduled on Friday, September, 2, 2016 at 3.00 p.m. at KRG Hall, Bharatiya Vidya Bhavan Race Course Road, Bangalore -560 001 |
| b | Financial year | The Company follows the April - March Financial Year. |
| c | Date of Book Closure | August 27, 2016 to September 2, 2016 |
| d | Dividend Payment date | Board had not recommended any dividend. |
| e | Listing on Stock Exchanges | BSE Ltd, P.J. Towers Dalal Street, Mumbai- 400001 |
| f | Stock Code | 532957 (ISIN: INE642101014) |

g. Market Price Data - High/Low during the each month of the Financial Year:

The shares of the Company are listed on the BSE 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.2015 | 59.00 | 50.50 |
| Nov.2015 | 64.90 | 50.80 |
| Dec.2015 | 68.40 | 53.15 |
| Jan.2016 | 73.00 | 52.00 |
| Feb.2016 | 57.35 | 44.65 |
| March.2016 | 54.60 | 45.20 |

h. Registrars and Share Transfer Agents :

The Company has appointed TSR Darashaw Ltd(TSRD) as its Registrars and Share Transfer Agents, Shareholders are requested to approach TSRD on the following address for any query and problems related to shares held in Physical form:

TSR Darashaw Ltd.

Unit: Gokak Textiles Ltd.

6-10, Haji MoosaPatrawala

Industrial Estate, 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 AM to 3.30 PM, (Monday to Friday)

E-mail: csg-unit@tsrdarashaw.com, Website : www.tsrdarashaw.com

Or

TSR Darashaw Ltd.,
503, Barton Centre , 5th Floor,
N0.84 Mahatma Gandhi Road,
Bangalore - 560001.

i. Share Transfer system :

Shares sent for transfer in physical form are registered and returned within a maximum period of 15 days from the date of receipt of documents, provided, all documents are valid and complete in all respects. The Shareholders have option of converting their holding in dematerialized form and effecting the transfer in dematerialized mode.

j. Distribution of Shareholding as on March 31, 2016 :

| Category | No. of Shares | % to Paid up-capital |
|---------------------------------|------------------|----------------------|
| Promoters | 47,80,845 | 73.56 |
| Central/State Government(s) | 55,171 | 0.85 |
| Nationalised Banks | 9,477 | 0.15 |
| Bodies Corporate | 2,85,077 | 4.39 |
| Insurance Companies | 2,96,057 | 4.56 |
| Mutual Funds / UTI | 201 | 0.00 |
| FII's/NRI's/OCB/Foreign Company | 2,37,018 | 3.65 |
| Public | 8,35,462 | 12.84 |
| Total | 64,99,308 | 100.00 |

- Distribution by size of holding as on March 31, 2016

| Range Start | Range End | Total Shares | % to capital | Total Number of Equity shareholders | % of Total Securityholders |
|--------------|----------------|------------------|--------------|-------------------------------------|----------------------------|
| 1 | 5,000 | 4,52,692 | 6.97 | 9,260 | 96.99 |
| 5,001 | 10,000 | 1,18,477 | 1.82 | 154 | 1.61 |
| 10,001 | 20,000 | 90,363 | 1.39 | 64 | 0.67 |
| 20,001 | 30,000 | 49,024 | 0.75 | 20 | 0.21 |
| 30,001 | 40,000 | 40,151 | 0.62 | 12 | 0.13 |
| 40,001 | 50,000 | 46,631 | 0.72 | 10 | 0.1 |
| 50,001 | 1,00,000 | 87,003 | 1.34 | 12 | 0.13 |
| 1,00,001 | above 1,00,001 | 56,14,967 | 86.39 | 15 | 0.16 |
| TOTAL | | 64,99,308 | 100 | 9,547 | 100 |

k. Dematerialisation of shares and liquidity as on March 31, 2016

| Details | No. of shares Holders | No. of shares | % to paid up Capital |
|---|-----------------------|------------------|----------------------|
| National Securities Depository Ltd. | 3,798 | 60,34,978 | 92.86 |
| Central Depository Services(India) Ltd. | 1,147 | 1,85,515 | 2.85 |
| Total Dematerialised | 4,945 | 62,20,493 | 95.71 |
| Physical | 4,602 | 2,78,815 | 4.29 |
| Total | 9,547 | 64,99,308 | 100.00 |

l. Outstanding GDR/ADR/Warrants or any Convertible instruments, Conversion date and likely Impact on equity:

The Company has not issued any of these instruments

m. Plant Layout:

Mills :

Gokak Falls - 591308 Dist. Belgaum, Karnataka State

Knitwear Unit:

Bagalkot Road, Marihal Village, Dist. Belgaum,
Karnataka State 591167

n. Address for Correspondence:

Investors are requested to please direct all transfer requests, correspondence, queries to Registrars and Share Transfer Agents at the above mentioned address.

DECLARATION UNDER REGULATION 26(3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

As provided under Regulation 26(3) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, the Board Members and the Senior Management Personnel have confirmed compliance with the code of conduct for Board of Directors and Senior Management for the year ended March 31, 2016

For Gokak Textiles Limited

Ashok Barat
Chairman

To,
The Members of
GOKAK TEXTILES LIMITED
Rajarajeshwari Nagar,
Bangalore - 560098.

I have examined all the relevant records of Gokak Textiles Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the period from October 01 2015 to November 30, 2015 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the period from December 01, 2015 up to March 31, 2016.

I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification. The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company. In my opinion and to the best of my information and according to the explanations and information furnished to me, I certify that the Company has complied with all the mandatory requirements of Corporate Governance as stipulated in Schedule II of the said Regulations/Listing Agreement. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has complied with items C and E.

Place - Bangalore
Date - 07-07-2016

For Kiran Desai & Associates

Kiran Desai

Proprietor

Membership No. 34875

Certificate of Practice No. 12924

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

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of GOKAK TEXTILES LIMITED ("the Company"), which comprises the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the 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 the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at March 31, 2016, and its losses and its cash flows for the six months ended on that date.

Emphasis of Matters

In forming our opinion on the financial statements, in view of the accumulated losses and the labour related problems, we have considered and relied on the parent company's commitment to and the active involvement in the Company and based on the above, the financial statements have been prepared on the Going Concern basis.

Our opinion is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", considering the comments in the Branch Auditor's Report, a statement on the matters specified in the paragraph 3 and 4 of the Order.

As required by Section 143 (3) of the Act, we report that:

We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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.

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 the audited returns received from the branches.

In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

On the basis of the written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of section 164 (2) of the Act.

With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

The Company has disclosed the impact of pending litigations on its financial position in its financial statements - refer note 29 to the financial statements.

The Company does not have any material foreseeable losses on long term contracts including derivative contracts requiring provision under the applicable law or accounting standards.

There are no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **KALYANIWALLA & MISTRY**
CHARTERED ACCOUNTANTS
(Firm Registration No. 104607W)

Anil A. Kulkarni,
Partner
Membership No. 47576

Place: Mumbai
Date: July 8, 2016,

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

As referred to in Paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Independent Auditor's Report of even date on the standalone financial statements of Gokak Textiles Limited for the six months ended March 31, 2016.

Statement on Matters specified in paragraphs 3 and 4 of the Companies (Auditor's Report) Order, 2016:

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As informed to us, 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 as per the program and we were informed that no material discrepancies were noticed.
- (c) Based on the information and explanations given to us and on the basis of examination of the records of the Company, the details of title deeds of immovable properties are as under:

| Sr. No. | Nature of asset | No. of Cases | Whether Leasehold / Freehold | Gross Block as on March 31, 2016 Rupees | Net Block as on March 31, 2016 Rupees | Remarks |
|---------|-----------------|------------------|------------------------------|--|--|---|
| 1. | Land | 1 | Freehold | 11,35,177 | 11,35,177 | * The title deeds of the property are in the name of erstwhile entities (Mills Division). * As per the government records, some portion of the land is neither in the name of the Company nor in the name of erstwhile entities. |
| 2. | Land | 1 | Freehold | 11,10,273 | 11,10,273 | The title deeds of the properties are in the name of erstwhile entity (Knitwear Division). |
| 3. | Land | 1 | Leasehold | 1,50,000 | 1,50,000 | The lease deed of the land is in the name of erstwhile entity (Mills Division). |
| 4. | Building | 2 | Freehold | 7,77,500 | 380,335 | The title deeds of all the properties are in the name of erstwhile entity (Mills Division). |
| 5. | Building | Refer note below | Refer note below | 21,02,355 | 15,27,062 | The title deeds were not made available for verification. Consequently, we are not able to comment. |

Note : Information not available

- ii. In our opinion and according to the information and explanations given to us, physical verification of inventory has been conducted at reasonable intervals by the management. As informed to us, 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.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, and limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Therefore, the provisions of sub-clause (a), (b) and (c) of paragraph 3 (iii) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us and the records examined by us, the Company has complied with the provision of section 185 and 186 of the Act with respect to investments made and securities provided.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Act and the Rules framed thereunder are not applicable.
- vi. In our opinion and according to the information and explanations given to us, the maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Act. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 148 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- vii. (a) According to the information and explanations given to us by the Company and the Branch Auditors and the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other material statutory dues to the appropriate authorities. According to the information and explanations given to us by the Company and the Branch Auditors, there are no arrears of outstanding statutory dues in respect of above as on the last day of the financial year for a period of more than six months from the date they became payable.

(b) According to the information and explanation given to us by the Company and the Branch Auditors and on the basis of our examination of the books of account and the records, there are no dues of Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise and Value added tax outstanding on account of any dispute, other than the following:

| Name of Stature | Amount(Rs) | Period to while the amount relates | Forum where dispute is pending |
|--|-------------|------------------------------------|--|
| The Karnataka Special Tax on Entry of Certain Goods Act, 2004 | 1,14,58,194 | October-2004 to March-2007 | High Court of Karnataka, Bangalore |
| The Excise Duty Act, 1944 | 32,62,241 | 2004-2005 and 2005-2006 | The Central Excise and Service Tax Appellate Tribunal, Mangalore |
| The Employees Provident Fund and Miscellaneous Provision Act, 1952 | 40,14,265 | January - 1990 December - 2001 | The Employees Provident Fund Appellate Tribunal |
| The Excise Duty Act, 1994 | 1,10,37,577 | December 2004 to May-2005 | The Supreme Court of India |

The Company has deposited Rs.12,04,583 and Rs.8,15,561 under protest towards provident fund and excise duty respectively.

- viii. According to the records of the Company examined by us and the information and explanations given to us by the Company and the Branch Auditors, the Company has not defaulted in repayment of dues to financial institutions, banks and government. There are no dues to debenture holders.
- ix. The Company has not raised money through initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us and based on the documents and records examined by us on an overall basis, the term loans obtained by the Company were applied for the purpose for which the loans were obtained.
- x. During the course of our examination of the books of account and records of the Company, and according to the information and explanation given to us by the Company and the Branch Auditors and representations made by the Management, no material fraud by or on the Company by its officers or employees, has been noticed or reported during the financial year.
- xi. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanation given to us, the Company is not a Nidhi Company. Accordingly, provisions of paragraph 3(xii) of the Order are not applicable.
- xiii. According to the information and explanation given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanation given to us and based on our examination of the records of the Company, the allotment of 7% Non-cumulative, non-convertible, Redeemable Preference Shares made by the Company through private placement basis is in compliance with the requirements of section 42 of the Companies Act, 2013. According to the information and explanation given to us and based on our examination of the records of the Company, the amount raised through private placement has been used for the purpose for which the funds were raised.
- xv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with the directors or persons connected with them. Hence, the provisions of section 192 of the Act are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 hence the provisions of paragraph 3 (xvi) of the Order are not applicable.

For **KALYANIWALLA & MISTRY**
CHARTERED ACCOUNTANTS
(Firm Registration No. 104607W)

Anil A. Kulkarni

Partner

Place: Mumbai
Date: July 8, 2016

Membership No. 47576

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

As referred to in Paragraph 2 (f) under the heading "Report on Other Legal and Regulatory Requirements" of our Independent Auditor's Report of even date on the standalone financial statements of Gokak Textiles Limited for the six months ended March 31, 2016.

Report on the Internal Financial Controls under Clause

(i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of GOKAK TEXTILES LIMITED ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the six months ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our knowledge and information and based on the explanations, information and records given to us, the Company has, in all material respects, maintained adequate internal financial controls systems over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS
(Firm Registration No. 104607W)

Anil A. Kulkarni
Partner
Membership No. 47576

Place: Mumbai

Date: July 8, 2016

GOKAK TEXTILES LIMITED
BALANCE SHEET AS AT MARCH 31, 2016

| | Note | As at March 31, 2016 ₹ | As at September 30, 2015 ₹ |
|---------------------------------|------|------------------------------|----------------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share Capital | 4 | 464,993,080 | 264,993,080 |
| Reserves and Surplus | 5 | (414,757,500) | (176,159,826) |
| | | 50,235,580 | 88,833,254 |
| Non-current liabilities | | | |
| Long Term Borrowings | 6 | 595,825,504 | 280,616,382 |
| Deferred tax Liabilities (Net) | 7 | 37,127,446 | 29,217,632 |
| Long Term Provisions | 8 | 67,151,919 | 19,614,509 |
| | | 700,104,869 | 329,448,523 |
| Current liabilities | | | |
| Short Term Borrowings | 9 | 577,631,829 | 1,046,860,210 |
| Trade Payables | 10 | 269,030,256 | 471,069,838 |
| Other Current Liabilities | 11 | 513,508,194 | 483,881,226 |
| Short-Term Provisions | 12 | 4,646,158 | 4,311,320 |
| | | 1,364,816,437 | 2,006,122,594 |
| TOTAL | | 2,115,156,886 | 2,424,404,371 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed Assets | | | |
| Tangible assets | 13A | 922,644,355 | 968,060,513 |
| Intangible assets | 13B | 9,838,521 | 11,136,389 |
| Capital Work in Progress | | 1,061,966 | 800,000 |
| | | 933,544,842 | 979,996,902 |
| Non Current Investments | | | |
| Long-Term Loans And Advances | 14 | 249,952,502 | 249,952,502 |
| | 15 | 231,780,317 | 222,361,460 |
| | | 1,415,277,661 | 1,452,310,864 |
| Current assets | | | |
| Inventories | 16 | 383,120,481 | 440,815,610 |
| Trade Receivables | 17 | 119,937,426 | 125,021,184 |
| Cash And Bank Balances | 18 | 16,656,764 | 206,717,147 |
| Short-Term Loans And Advances | 19 | 164,044,265 | 180,599,910 |
| Other Current Assets | 20 | 16,120,289 | 18,939,656 |
| | | 699,879,225 | 972,093,507 |
| TOTAL | | 2,115,156,886 | 2,424,404,371 |
| Significant Accounting Policies | | 3 | |

The notes are an integral part of the these financial statements

As per our Report attached

For KALYANIWALLA & MISTRY

Chartered Accountants

(Firm registration no. 104607W)

Anil A. Kulkarni

Partner

(Membership no. 47576)

Date: 08 Jul 2016

Place: Mumbai

For and on behalf of the Board of Directors

Vikram Nagar

Whole Time Finance Director

DIN: 07526281

Pradip Kapadia

Director

DIN: 00078673

Kaiwan Kalyaniwalla

Director

DIN: 00060776

Zarine K Commissariat

Director

DIN: 07146151

Ashok Barat

Chairman

DIN: 00492930

Vasant N. Sanzgiri

Director

DIN: 01757117

D. G. Prasad

Director

DIN: 00160408

A. R. Nandkumar

DGM - Accounts & Costing

GOKAK TEXTILES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31, MARCH 2016

| | Note | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|--|------|---|---------------------------------------|
| REVENUE | | | |
| Revenue from operations | 21 | 970,265,587 | 3,244,576,546 |
| Other Operating Income | 22 | 33,715,862 | 40,516,718 |
| Other Income | 23 | 51,947,930 | 30,757,125 |
| TOTAL REVENUE | | 1,055,929,379 | 3,315,850,389 |
| EXPENSES | | | |
| Cost of Raw Materials and Components Consumed | 24 | 581,153,654 | 1,804,751,986 |
| Purchase of Trading Goods | | 9,118,494 | - |
| Change In Inventory of Finished Goods and Work in Progress | 25 | 55,592,623 | 421,535,229 |
| Employee Benefit Expenses | 26 | 172,945,534 | 449,516,927 |
| Other Expenses | 27 | 330,334,372 | 825,055,905 |
| Depreciation | 13 | 35,488,978 | 75,940,463 |
| Finance Costs | 28 | 101,379,518 | 219,488,830 |
| TOTAL EXPENSES | | 1,286,013,173 | 3,796,289,340 |
| (Loss) / Profit before Tax | | (230,083,794) | (480,438,951) |
| Tax expense | | | |
| Prior Period Tax Adjustment | | 604,066 | 7 81,572 |
| Deferred tax | | 7,909,814 | (26,401,901) |
| (Loss)/Profit after tax | | (238,597,674) | (454,818,622) |
| Basic and Diluted Earnings per share (in ₹) | 37 | (36.71) | (69.98) |
| Significant Accounting Policies | 3 | | |

The notes are an integral part of the these financial statements

As per our Report attached

For KALYANIWALLA & MISTRY

Chartered Accountants

(Firm registration no. 104607W)

Anil A. Kulkarni

Partner

(Membership no. 47576)

Date: 08 Jul 2016

Place: Mumbai

For and on behalf of the Board of Directors

Vikram Nagar

Whole Time Finance Director

DIN: 07526281

Pradip Kapadia

Director

DIN: 00078673

Kaiwan Kalyaniwalla

Director

DIN: 00060776

Zarine K Commissariat

Director

DIN: 07146151

Ashok Barat

Chairman

DIN: 00492930

Vasant N. Sanzgiri

Director

DIN: 01757117

D. G. Prasad

Director

DIN: 00160408

A. R. Nandkumar

DGM - Accounts & Costing

GOKAK TEXTILES LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016

| | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|--|---|---------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| (Loss) / Profit before tax | (230,083,794) | (480,438,951) |
| Adjustments for: | | |
| Depreciation | 35,488,978 | 75,940,463 |
| Interest income | (9,240,165) | (14,341,376) |
| Interest and financial charges | 101,379,518 | 219,488,830 |
| Loss / (Profit) on fixed assets / capital work in progress sold / written off | (38,023,862) | (79,734) |
| Dividend Income | - | (12,500) |
| Provision for Doubtful Debts | 1,536,217 | 4,501,540 |
| Provision for Contingencies | 50,000,000 | |
| Provision for Doubtful Advances | - | 630,849 |
| Operating loss before working capital changes | (88,943,108) | (194,310,879) |
| Adjustments for : | | |
| (Increase)/ Decrease in Inventories | 57,695,129 | 558,306,776 |
| (Increase)/ Decrease in Trade and other receivables | 10,411,862 | (489,425) |
| Increase/ (Decrease) in Trade payables and other liabilities | (176,291,931) | (166,908,539) |
| Cash generated from operations | (197,128,048) | 196,597,933 |
| Direct Taxes (paid) / refund | (1,629,104) | 946,152 |
| Net cash (used in) / from operating activities | (198,757,152) | 197,544,085 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (773,124) | (646,520) |
| Sale of Fixed Assets | 53,876,940 | 113,425 |
| Interest received | 9,240,165 | 14,341,376 |
| Dividend received | - | 12,500 |
| Net cash (used in)/ from investing activities | 62,343,981 | 13,820,781 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of 20,00,000 7% Non cumulative, non convertible, Redeemable preference Shares of ₹ 10 each | 200,000,000 | 200,000,000 |
| Repayment of Borrowings to Banks/Financial Institutions | (152,267,694) | 9,276,645 |
| Interest paid | (101,379,518) | (219,488,830) |
| Net cash (used in)/from financing activities | (53,647,212) | (10,212,185) |
| NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS | (190,060,383) | 201,152,681 |
| Cash and Cash equivalents at the beginning of the period/year | 206,717,147 | 5,564,466 |
| Cash and Cash equivalents at the end of the period/year | 16,656,764 | 206,717,147 |

GOKAK TEXTILES LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016

| | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|---|---|---------------------------------------|
| D. COMPONENTS OF CASH AND CASH EQUIVALENTS | | |
| Cash on Hand | 1,947,244 | 702,695 |
| Balances with banks: | | |
| - In current accounts | 14,400,398 | 205,712,978 |
| - In deposit accounts | 309,122 | 301,474 |
| | 16,656,764 | 206,717,147 |

Notes :

- 1 The Cash Flow statement has been prepared following the indirect method except in case of taxes and dividend which have been considered on the basis of actual movement of cash.
- 2 Change in borrowings are shown net of receipts and payments.
- 3 Figures in brackets indicate cash outflow.
- 4 Previous year's figures have been rearranged / regrouped wherever necessary.
- 5 To Finance the working capital requirements, the company's banker have sanctioned a total fund based limit of ₹ 9700 lac. Out of this, limit utilised as on March 31, 2016 is ₹ 3567 lac.

As per our Report attached

For KALYANIWALLA & MISTRY

Chartered Accountants

(Firm registration no. 104607W)

Anil A. Kulkarni

Partner

(Membership no. 47576)

Date: 08 Jul 2016

Place: Mumbai

For and on behalf of the Board of Directors

Vikram Nagar

Whole Time Finance Director

DIN: 07526281

Pradip Kapadia

Director

DIN: 00078673

Kaiwan Kalyaniwalla

Director

DIN: 00060776

Zarine K Commissariat

Director

DIN: 07146151

Ashok Barat

Chairman

DIN: 00492930

Vasant N. Sanzgiri

Director

DIN: 01757117

D. G. Prasad

Director

DIN: 00160408

A. R. Nandkumar

DGM - Accounts & Costing

GOKAK TEXTILES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

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 January 23, 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 on 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 specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ('the Act'). The financial statements have been prepared on accrual basis and under the historical cost convention.
- ii. With effect from current financial year, the Company has changed its accounting year from year ended September 30 to year ended March 31 as required under the Act. Accordingly these financial statements are prepared for a period of 6 months from October 1, 2015 to March 31, 2016. Hence the figures for the current accounting period are not comparable with those of the previous accounting year.
- iii. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

3 Significant 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.

(c) Depreciation /Amortisation:

Depreciation is provided on pro-rata basis on the straight line method as per useful life specified in Schedule II to the Companies Act, 2013. Items costing less than and up to Rs. 5,000 are fully depreciated in the year of purchase. Cost of Leasehold Land and Building are amortised over the period of lease.

(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."

| Sr.No | Particulars | Method of determining cost |
|-------|--------------------------------|--|
| 1 | Stores, Spares and Loose Tools | Weighted average for Mills unit and FIFO basis for Knitwear unit. |
| 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.

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

(e) Inventories :

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

(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. 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

GOKAK TEXTILES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

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 Alternate 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 Statement of Profit and Loss 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.

(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."

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

4 Share Capital

| | March 31, 2016 | | September 30, 2015 | |
|---|-------------------|--------------------|--------------------|--------------------|
| | Number | ₹ | Number | ₹ |
| Authorised | | | | |
| Equity Shares of ₹ 10 each | 7,000,000 | 70,000,000 | 7,000,000 | 70,000,000 |
| Non-cumulative, non-convertible Redeemable Preference Shares of ₹ 10 each | 70,000,000 | 700,000,000 | 20,000,000 | 200,000,000 |
| Issued, Subscribed & Paid up | | | | |
| Equity Shares of ₹ 10 each fully paid | 6,499,308 | 64,993,080 | 6,499,308 | 64,993,080 |
| 7% Non-cumulative, non-convertible, Redeemable Preference Shares of ₹ 10 each | 40,000,000 | 400,000,000 | 20,000,000 | 200,000,000 |
| Total | 46,499,308 | 464,993,080 | 26,499,308 | 264,993,080 |

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

| | March 31, 2016 | | September 30, 2015 | |
|---|------------------|-------------------|--------------------|-------------------|
| | Number | ₹ | Number | ₹ |
| Shares outstanding at the beginning of the year / period | 6,499,308 | 64,993,080 | 6,499,308 | 64,993,080 |
| Add: Shares Issued during the year / period | - | - | - | - |
| Less: Shares bought back during the year / period | - | - | - | - |
| Shares outstanding at the end of the year / period | 6,499,308 | 64,993,080 | 6,499,308 | 64,993,080 |

(B) Reconciliation of 7% Non-cumulative, non-convertible, Redeemable Preference Shares outstanding at the beginning and end of the reporting year / period.

| | March 31, 2016 | | September 30, 2015 | |
|--|-------------------|--------------------|--------------------|--------------------|
| | Number | ₹ | Number | ₹ |
| Shares outstanding at the beginning of the year | 20,000,000 | 200,000,000 | - | - |
| Add: Shares Issued during the year | 20,000,000 | 200,000,000 | 20,000,000 | 200,000,000 |
| Less: Shares bought back during the year | - | - | - | - |
| Shares outstanding at the end of the year | 40,000,000 | 400,000,000 | 20,000,000 | 200,000,000 |

(C) Terms/rights attached to equity shares

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

During the six months ended March 31, 2016, the amount of per share dividend recognized as distributions to equity shareholders is NIL (September 30, 2015: NIL).

(D) Terms/rights attached to 7% Non-cumulative, Non-convertible, Redeemable Preference Shares

7% Non-cumulative, non-convertible, Redeemable Preference Shares shall be non-participating, redeemable before 20 years from the date of their issue, carry a preferential right, vis-a-vis equity shares with respect to payment of dividend and repayment in case of a winding up or repayment of capital and shall carry voting rights as per the provisions of Section 47 (2) of the Act.

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

| | March 31, 2016 | | September 30, 2015 | |
|--|----------------|---------|--------------------|--------|
| | Number | % | Number | % |
| Shapoorji Pallonji & Company Private Limited - Holding Company | | | | |
| - Equity shares | 4,780,845 | 73.56% | 4,780,845 | 73.56% |
| - 7% Non-cumulative, non-convertible, Redeemable Preference Shares | 40,000,000 | 100.00% | 20,000,000 | 0.00% |

(F) 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. Further, the Company has not issued shares for consideration other than cash in the past five years.

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

5 Reserves & Surplus

| | March 31, 2016 | September 30, 2015 |
|---|------------------------|--------------------|
| | ₹ | ₹ |
| <u>Surplus/ (Deficit) in Statement of Profit and Loss</u> | | |
| Opening balance | (892,191,512) | (421,794,091) |
| (-) Carrying value recognised in opening balance where remaining useful life of assets is 'Nil' as per Schedule II to the Act (net of deferred tax) | - | (15,578,799) |
| (+) Net profit / (loss) for the year / period | (238,597,674) | (454,818,622) |
| Closing Balance | (1,130,789,186) | (892,191,512) |
| <u>General Reserve</u> | 716,031,686 | 716,031,686 |
| Total | (414,757,500) | (176,159,826) |

6 Long term borrowings

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| <u>Secured</u> | | |
| Term Loans from Banks/Financial Institutions | 595,825,504 | 280,616,382 |
| Total | 595,825,504 | 280,616,382 |

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

| | March 31, 2016 | September 30, 2015 |
|--------------|--------------------|--------------------|
| | ₹ | ₹ |
| 1-2 Years | 307,010,504 | 214,664,040 |
| 2-3 Years | 288,815,000 | 65,952,342 |
| 3-4 years | - | - |
| Total | 595,825,504 | 280,616,382 |

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

Borrowings amounting to ₹ NIL (Previous Year: ₹ 9,674,000) are secured by exclusive charge of hypothecation of movable/immovable fixed assets acquired/ to be acquired.

Borrowings amounting to ₹ 57,215,000 (Previous Year: ₹ 76,499,000) are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired/ to be acquired.

Borrowings amounting to ₹ 538,610,504 (Previous Year: ₹ 194,443,382) are secured by second pari passu charge on movable/ immovable fixed assets acquired.

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

7 Deferred Tax Liability

| | March 31, 2016 | September 30, 2015 |
|---------------------------------|-------------------|--------------------|
| | ₹ | ₹ |
| Deferred Tax Liability | | |
| Depreciation | 74,538,586 | 63,443,201 |
| Deferred Tax Asset | | |
| Provision For Doubtful Debts | 20,592,219 | 20,117,528 |
| Provision For Employee Benefits | 16,818,921 | 14,108,041 |
| | 37,127,446 | 29,217,632 |

For the six months ended March 31, 2016, 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.

8 Long term Provisions

| | March 31, 2016 | September 30, 2015 |
|--|-------------------|--------------------|
| | ₹ | ₹ |
| Provision For Gratuity (Refer Note No. 34) | 5,886,243 | 6,139,532 |
| Provision For Leave Encashment | 11,265,676 | 13,474,977 |
| Provision For Contingencies | 50,000,000 | - |
| Total | 67,151,919 | 19,614,509 |

Provision for contingencies is towards the estimated liability on account of non-fulfillment of export obligations under the Export Promotion Capital Goods Scheme.

Movement in provisions is as follows:**Provision for Contingencies**

Balance at the beginning of the year / period
Additions during the year / period
Utilisation / reversal during the year / period
Balance at the end of the year / period

| | March 31, 2016 | September 30, 2015 |
|--|----------------|--------------------|
| | ₹ | ₹ |
| | - | - |
| | 50,000,000 | - |
| | - | - |
| | 50,000,000 | - |

9 Short term Borrowings

| | March 31, 2016 | September 30, 2015 |
|---|--------------------|----------------------|
| | ₹ | ₹ |
| From Banks: Working Capital Loan (Secured) | 356,731,829 | 681,060,210 |
| Unsecured From Hoding Company | 220,900,000 | 365,800,000 |
| Total | 577,631,829 | 1,046,860,210 |

The above borrowings carry effective interest rates ranging from 11.5% p.a. to 12.85 % p.a. Working Capital Loan is secured against hypothecation of all stocks including raw materials, work in progress, finished goods, stores and book debts.

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

10 Trade Payables (Refer Note 33)

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| Total outstanding dues of micro enterprises and small enterprises (Refer Note 31) | 2,934,728 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 266,095,528 | 471,069,838 |
| Total | 269,030,256 | 471,069,838 |

11 Other Current Liabilities

| | March 31, 2016 | September 30, 2015 |
|---|--------------------|--------------------|
| | ₹ | ₹ |
| Current Maturities of Long Term Borrowings (Refer Note 6) | 256,571,756 | 254,820,191 |
| Advances from Customers | 44,513,139 | 25,274,560 |
| Deposits | 9,557,758 | 9,421,258 |
| Sales Tax Payable | 400,127 | 2,482,667 |
| Other Payables | 165,209,764 | 177,653,635 |
| Interest accrued but not due | 10,493,055 | 3,835,421 |
| Interest accrued and due | 26,390,628 | 9,297,468 |
| Payable to capital creditors | 371,967 | 1,096,026 |
| Total | 513,508,194 | 483,881,226 |

There are no amounts due for payments to the Investor Education and Protection Fund as at the year

12 Short Term Provisions

| | March 31, 2016 | September 30, 2015 |
|--|------------------|--------------------|
| | ₹ | ₹ |
| Provision For Gratuity (Refer Note No. 34) | 1,600,346 | 770,850 |
| Provision For Leave Encashment | 3,045,812 | 3,540,470 |
| Total | 4,646,158 | 4,311,320 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

13 Fixed Assets

| Description of Assets | GROSS BLOCK | | | DEPRECIATION | | | | | NET BLOCK | | |
|--|--------------------------|-----------------|---------------------|-----------------------|--------------------------|--------------------------|---------------------------------|---------------------------------|-----------------------|----------------------|--------------------------|
| | As on September 30, 2015 | Addition | Deduction | As on March 31, 2016 | As on September 30, 2015 | Form the 6 months period | recognised in earnings retained | On deductions during the period | As on March 31, 2016 | As on March 31, 2016 | As on September 30, 2015 |
| A Tangible Assets | | | | | | | | | | | |
| Leasehold Land | 1,50,000 | - | - | 1,50,000 | 1,50,000 | - | - | - | 1,50,000 | - | - |
| Freehold Land | 22,45,450 | - | - | 22,45,450 | - | - | - | - | - | 22,45,450 | 22,45,450 |
| Factory Building | 40,04,02,464 | - | 19,90,586 | 39,84,11,878 | 21,79,22,509 | 55,11,278 | - | 8,06,055 | 22,26,27,732 | 17,57,84,146 | 18,24,79,955 |
| Residential Building | 8,32,30,369 | - | - | 8,32,30,369 | 2,88,05,002 | 11,99,916 | - | - | 3,00,04,918 | 5,32,25,451 | 5,44,25,367 |
| Canal Lining | 1,22,884 | - | - | 1,22,884 | 1,16,740 | - | - | - | 1,16,740 | 6,144 | 6,144 |
| Plant and Machinery | 2,98,58,69,958 | 4,71,895 | 24,24,11,981 | 2,74,39,29,872 | 2,27,27,02,875 | 2,50,04,371 | - | 23,18,76,247 | 2,06,58,30,999 | 67,80,98,873 | 71,31,67,083 |
| Furniture, Fixtures and Office Equipment | 7,51,65,685 | 39,263 | 20,000 | 7,51,84,948 | 6,04,67,275 | 23,04,900 | - | 8,279 | 6,27,63,896 | 1,24,21,052 | 1,46,98,410 |
| Vehicles | 1,54,36,895 | - | 1,02,346 | 1,53,34,549 | 1,43,98,791 | 1,70,645 | - | 98,126 | 1,44,71,310 | 8,63,239 | 10,38,104 |
| Total Tangible Assets | 3,56,26,23,705 | 5,11,158 | 24,45,24,913 | 3,31,86,09,950 | 2,59,45,63,192 | 3,41,91,110 | - | 23,27,88,707 | 2,39,59,65,595 | 92,26,44,355 | 96,80,60,513 |
| Previous Year | 3,56,75,59,405 | 6,46,520 | 55,82,220 | 3,56,26,23,705 | 2,50,40,79,276 | 7,34,87,150 | 2,25,45,295 | 55,48,529 | 2,59,45,63,192 | | |
| B Intangible Assets | | | | | | | | | | | |
| Computer Software | 2,23,71,697 | - | - | 2,23,71,697 | 1,12,35,308 | 12,97,868 | - | - | 1,25,33,176 | 98,38,521 | 11,36,389 |
| Total Intangible Assets | 2,23,71,697 | - | - | 2,23,71,697 | 1,12,35,308 | 12,97,868 | - | - | 1,25,33,176 | 98,38,521 | 11,36,389 |
| Previous Year | 2,23,71,697 | - | - | 2,23,71,697 | 87,81,995 | 24,53,313 | - | - | 1,12,35,308 | 1,11,36,389 | - |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

14 Non Current Investments

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| In unquoted equity shares of New India Co-Operative Bank | 50,002 | 50,002 |
| In unquoted equity shares of Zoroastrian Co-op Bank Ltd. | 2,500 | 2,500 |
| Subsidiary In unquoted 24,990,000 equity shares of ₹ 10 each fully paid up of Gokak Power & Energy Limited | 249,900,000 | 249,900,000 |
| Total | 249,952,502 | 249,952,502 |

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

15 Long Term Loans and Advances

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| Unsecured, considered good | | |
| Advances Recoverable in cash or Kind for value to be received | 3,789,076 | 3,998,076 |
| Capital Advances | 1,326,510 | 659,328 |
| Balances with Excise Authorities | 95,838,235 | 94,688,599 |
| Balances with Sales Tax Authorities | 73,263,977 | 66,264,137 |
| Deposits | | |
| - Considered good | 26,834,149 | 27,047,988 |
| - Considered doubtful | 230,849 | 630,849 |
| Minimum Alternate Tax Credit Entitlement | 23,861,697 | 23,861,697 |
| Advance Tax (Net of provision for taxes ₹ Nil ; Previous Year: ₹ 23,861,697) | 6,866,673 | 5,841,635 |
| Less: Provision for doubtful advances | 230,849 | 630,849 |
| Total | 231,780,317 | 222,361,460 |

16 Inventories

| | March 31, 2016 | September 30, 2015 |
|---|--------------------|--------------------|
| | ₹ | ₹ |
| Raw materials | 58,181,968 | 57,923,176 |
| Work in Progress | 77,079,264 | 88,863,078 |
| Finished goods | 193,701,725 | 243,586,279 |
| Finished goods in Transit | 6,075,745 | - |
| Stores and Spares including Fuel and Packing Material | 48,081,779 | 50,443,077 |
| Total | 383,120,481 | 440,815,610 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

17 Trade Receivables (Refer Note 33)

| | March 31, 2016 | September 30, 2015 |
|---|--------------------|--------------------|
| | ₹ | ₹ |
| Outstanding for a period exceeding six months | | |
| Considered good | 14,314,054 | 11,408,752 |
| Considered doubtful | 66,641,487 | 65,105,270 |
| | 80,955,541 | 76,514,022 |
| Other Debts | | |
| Considered good | 105,623,372 | 113,612,432 |
| Less: Provision for doubtful debts | 66,641,487 | 65,105,270 |
| Total | 119,937,426 | 125,021,184 |

19 Cash and Bank Balances

| | March 31, 2016 | September 30, 2015 |
|---------------------|-------------------|--------------------|
| | ₹ | ₹ |
| Cash on Hand | 1,947,244 | 702,695 |
| Balances with banks | | |
| In current accounts | 14,400,398 | 205,712,978 |
| In deposit accounts | 309,122 | 301,474 |
| Total | 16,656,764 | 206,717,147 |

20 Short-term Loans and advances

| | March 31, 2016 | September 30, 2015 |
|---|--------------------|--------------------|
| | ₹ | ₹ |
| Unsecured, considered good unless otherwise stated | | |
| Advances Recoverable in cash or Kind for value to be received | | |
| - Considered good | 37,292,349 | 24,082,846 |
| - Considered doubtful | 471,227 | 471,227 |
| Prepaid Expenses | 3,879,846 | 9,267,731 |
| Advances to Suppliers | | |
| - Subsidiary | 114,564,979 | 108,666,039 |
| - Others | 7,900,621 | 37,055,947 |
| Sundry Deposits | 406,470 | 1,516,200 |
| Other Receivables | - | 11,147 |
| Less: Provision for doubtful advances | 471,227 | 471,227 |
| Total | 164,044,265 | 180,599,910 |

21 Other Current Assets

| | March 31, 2016 | September 30, 2015 |
|-----------------------------|-------------------|--------------------|
| | ₹ | ₹ |
| Interest Subsidy Receivable | 7,737,161 | 6,439,656 |
| Fixed assets held for sale | 8,383,128 | 12,500,000 |
| Total | 16,120,289 | 18,939,656 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

21 Revenue from Operations

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Sale of Finished Goods | 954,929,640 | 3,228,189,329 |
| Trading Goods | 3,068,739 | - |
| Processing income | 12,267,208 | 16,387,217 |
| Total | 970,265,587 | 3,244,576,546 |

Details of Finished Goods Sold

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Grey Yarn | 729,591,236 | 2,391,717,665 |
| Blended Yarn | 6,030,093 | 24,913,520 |
| Dyed Yarn | 197,405,086 | 567,414,770 |
| Canvas | 3,642,242 | 191,170,364 |
| Apparels | 16,882,573 | 48,347,717 |
| Others | 1,378,410 | 4,625,293 |
| Total | 954,929,640 | 3,228,189,329 |

22 Other Operating Income

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|-----------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Scrap Sales | 28,895,143 | 37,148,296 |
| Export Benefits | 4,820,719 | 3,368,422 |
| | 33,715,862 | 40,516,718 |

23 Other Income

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Interest Income | | |
| - From subsidiary | 9,204,331 | 12,938,566 |
| - Others | 35,834 | 1,402,810 |
| Dividend | - | 12,500 |
| Miscellaneous Income | 3,321,587 | 13,530,804 |
| Exchange Gain (Net) | 1,362,316 | 2,792,711 |
| Profit on Sale of Fixed Assets (Net) | 38,023,862 | 79,734 |
| Total | 51,947,930 | 30,757,125 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

24 Cost of Raw Materials and Components Consumed

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Opening Stock of Raw Material | 57,923,176 | 188,168,313 |
| Add : Purchases | 581,412,446 | 1,674,506,849 |
| | 639,335,622 | 1,862,675,162 |
| Less : Closing Stock of Raw Material | 58,181,968 | 57,923,176 |
| Total | 581,153,654 | 1,804,751,986 |

Details of Raw Material Consumed

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Cotton | 538,107,753 | 1,643,399,094 |
| Staple Fibre | 8,697,234 | 42,703,142 |
| Bought Waste | 1,255,050 | 42,380,110 |
| Yarn | 8,206,471 | 8,318,212 |
| Others | 24,887,146 | 67,951,428 |
| Total | 581,153,654 | 1,804,751,986 |

25 Change In Inventory of Finished Goods and Work-in-Progress

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Closing Stocks: | | |
| Finished goods | 199,777,470 | 243,586,279 |
| Work in Progress | 77,079,264 | 88,863,078 |
| | 276,856,734 | 332,449,357 |
| Opening Stocks: | | |
| Finished goods | 243,586,279 | 631,114,719 |
| Work in Progress | 88,863,078 | 122,869,867 |
| | 332,449,357 | 753,984,586 |
| Total | 55,592,623 | 421,535,229 |

Details of Inventory

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|------------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| <u>Finished Goods</u> | | |
| Grey Yarn | 62,525,991 | 94,702,110 |
| PC Yarn | 2,211,604 | 3,122,312 |
| Dyed Yarn | 16,794,297 | 28,588,501 |
| Canvas | 167,894 | 2,433,949 |
| Apparels | 111,716,143 | 114,333,529 |
| Terry Towel | 206,711 | 313,080 |
| Others | 6,154,830 | 92,798 |
| | 199,777,470 | 243,586,279 |
| <u>Work in Progress</u> | | |
| Cotton Yarn | 68,473,941 | 81,928,508 |
| Loose Grey Cloth & Fabric | 2,263,913 | 4,693,760 |
| Apparel Garments including fabrics | 6,341,410 | 2,240,810 |
| | 77,079,264 | 88,863,078 |

GOKAK TEXTILES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

26 Employee Benefit Expense

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Salaries, Wages, Bonus and Exgratia | 139,147,730 | 339,526,806 |
| Contribution to Provident & Other Funds | 16,966,735 | 73,102,919 |
| Workmen and Staff Welfare Expenses | 16,831,069 | 36,887,202 |
| Total | 172,945,534 | 449,516,927 |

27 Other Expenses

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---------------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Consumption of Stores and Spares | 5,383,799 | 30,473,518 |
| Consumption of Packing material | 20,436,184 | 68,340,438 |
| Power and Fuel | 156,805,561 | 413,811,348 |
| Processing Charges | 222,305 | 566,462 |
| Repairs and Maintenance | | |
| Buildings | 744,734 | 2,029,050 |
| Plant & Machinery | 11,670,464 | 43,367,660 |
| Others | 9,365,430 | 24,340,634 |
| | 21,780,628 | 69,737,344 |
| Rent | 2,189,165 | 9,046,218 |
| Rates and Taxes | 14,599,882 | 15,053,334 |
| Insurance | 4,138,913 | 7,482,230 |
| Legal and Profession Fees | 6,688,448 | 13,012,802 |
| Hank Yarn Obligation | 783,357 | 2,978,413 |
| Printing and Stationery | 906,250 | 1,881,252 |
| Postage, Telegram and Courier Charges | 994,516 | 2,843,300 |
| Freight and Forwarding | 13,147,629 | 83,286,653 |
| Travelling and Conveyance | 1,721,620 | 5,351,577 |
| Commission and Discount | 9,972,532 | 41,966,139 |
| Marketing and Selling | - | 31,735 |
| Provisions for Doubtful debts | 1,536,217 | 4,501,540 |
| Provision for Contingencies | 50,000,000 | - |
| Provision for doubtful advances | - | 630,849 |
| Miscellaneous Expenses | 19,027,366 | 54,060,753 |
| Total | 330,334,372 | 825,055,905 |

28 Finance Cost

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|----------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Interest on | | |
| Term Loan | 40,131,104 | 80,159,195 |
| Others | 52,297,334 | 128,516,896 |
| Other Borrowing Cost | 8,951,080 | 10,812,739 |
| Total | 101,379,518 | 219,488,830 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

29 Contingent liabilities :

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---|--|----------------------------------|
| | ₹ | ₹ |
| A) Guarantees issued by bank | 22,800,000 | 22,776,442 |
| B) Claims against the Company not acknowledged as debts | | |
| (i) Taxes in dispute :- | | |
| - Entry Tax/Special Entry tax | 11,458,194 | 11,458,194 |
| - Excise Demands | 14,299,818 | 14,299,818 |
| - Provident Fund | 2,810,682 | 2,810,682 |
| (ii) Labour Matters in Dispute | 5,198,272 | 5,198,272 |
| (iii) Other Demands Contested by the Company | | |
| - Creditors Claim | 71,471 | 71,471 |
| - Electricity Duty | - | 555,893 |
| C) Other money for which the Company is contingently liable | | |
| Bonds given by Company in favour of Customs Authorities | 464,844,557 | 478,320,557 |
| | 521,482,994 | 535,491,329 |

30 Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 180,438 (Previous Year: ₹ 14,832). Other commitments: Nil.

31 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 for all the suppliers, the disclosures have been made to the extent the information is available with the Company:

| | Six months ended March 31, 2016 |
|--|--|
| | ₹ |
| Principal amount remaining unpaid to any supplier as at the end of the accounting year | 2,934,728 |
| Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | 94,438 |
| Principal amount paid during the year beyond the appointed day | 6,353,646 |
| Interest paid during the year beyond the appointed day | - |
| The amount of interest due and payable for the year | 639,358 |
| The amount of interest accrued and remaining unpaid at the end of the accounting year | 639,358 |
| The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid or date of signing whichever is earlier. | 238,633 |

32 The Company has decided to change the Financial Year as per the provisions of the Companies Act 2013, from September to March, from March 2016. Accordingly these financial statements are prepared for a period of 6 months from October 1, 2015 to March 31, 2016. Hence the figures for the current accounting period are not comparable with those of the previous accounting year.

33 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.

GOKAK TEXTILES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

34 Gratuity

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--|--|--|
| | ₹ | ₹ |
| a) Change in Present Value of Obligation | | |
| Present value of the obligation at the beginning of the year | 180,086,635 | 162,846,573 |
| Benefits earned during the year | - | 13,788,344 |
| Current Service Cost | 4,675,048 | 8,040,053 |
| Interest Cost | 7,129,358 | 688,716 |
| Past Service Cost - Vested Benefit | - | - |
| Actuarial (Gain) / Loss on Obligation | (6,327,830) | 18,070,395 |
| Actuarial (Gain) / Loss on Obligation due to change in financial assumptions | (491,264) | - |
| Benefits Paid | (8,761,360) | (23,347,446) |
| Present value of the obligation at the end of the year | 176,310,587 | 180,086,635 |
| b) Change in Plan Assets | | |
| Fair value of Plan Assets at the beginning of the year | 174,224,053 | 156,147,069 |
| Expected return on Plan Assets | 6,899,272 | 13,584,795 |
| Actuarial Gain / (Loss) on Plan Assets | (636,955) | (693,242) |
| Assets transferred out / divestments | (1,047,800) | - |
| Contributions by Plan Participants | - | 25,639,135 |
| Benefits Paid | (8,761,360) | (20,453,704) |
| Fair value of Plan Assets at the end of the year | 170,677,210 | 174,224,053 |
| c) Amounts Recognised in the Balance Sheet | | |
| Present value of Obligation at the end of the year | 176,310,587 | 180,086,635 |
| Fair value of Plan Assets at the end of the year | (170,677,210) | (174,224,053) |
| Funded Status | (1,853,212) | (1,047,800) |
| Net Obligation at the end of the year | 7,486,589 | 6,910,382 |
| d) Amounts Recognised in the Statement of Profit & Loss | | |
| Current Service Cost | 4,675,048 | 8,040,053 |
| Interest cost on Obligation | 230,086 | 892,265 |
| Expected return on Plan Assets | - | - |
| Net Actuarial (Gain) / Loss recognised in the year | (6,182,139) | 18,763,637 |
| Past Service Cost - Vested Benefit recognised in the year | - | - |
| Expenses recognized in Profit & Loss Account | (1,277,005) | 27,695,955 |
| e) Actual return on Plan Assets | | |
| Expected return on Plan Assets | 6,899,272 | 13,584,795 |
| Actuarial Gain / (Loss) on Plan Assets | (636,955) | (693,242) |
| Actual return on Plan Assets | 6,262,317 | 12,891,553 |
| f) Actuarial Assumptions | | |
| i) Discount Rate | 8.04% | 7.92% |
| ii) Expected Rate of Return on Plan Assets | 8.04% | 7.92% |
| iii) Salary Escalation Rate | 4.00% | 4.00% |
| iv) Attrition Rate | 2.00% | 2.00% |
| v) Mortality | Indian Assured Lives Mortality(2006-08) Ultimate | Indian Assured Lives Mortality(2006-08) Ultimate |

Above disclosures have been made on the basis of certificate received from the actuary.

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.

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

- 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.
- 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:

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Net (Loss)/Profit before extraordinary items (net of tax) | (238,597,674) | (454,818,622) |
| Net Profit after extraordinary items after tax | (238,597,674) | (454,818,622) |
| Weighted average number of Equity Shares outstanding (Nos.) | 6,499,308 | 6,499,308 |
| Nominal Value of Share | 10 | 10 |
| Basic and Diluted Earnings per share before extra ordinary items (net of tax) | (36.71) | (69.98) |
| Basic and Diluted Earnings per share after extraordinary items after tax | (36.71) | (69.98) |

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

| Name of the Enterprise | Six Months ended March 31, 2016 | | Year ended Septemeber 30, 2015 | |
|---|---------------------------------|------------|--------------------------------|-------|
| | ₹ | % | ₹ | % |
| Raw Material | | | | |
| Imported | 626,416 | 0.11 | 41,048,150 | 2.27 |
| Indigenous | 580,527,238 | 99.89 | 1,763,703,836 | 97.73 |
| Total | 581,153,654 | 100 | 1,804,751,986 | 100 |
| Stores, Spares and Packing Materials | | | | |
| Imported | 3,106,139 | 12.03 | 17,545,493 | 17.76 |
| Indigenous | 22,713,844 | 87.97 | 81,268,463 | 82.24 |
| Total | 25,819,983 | 100 | 98,813,956 | 100 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

38 CIF Value of Imports

| | Six Months ended March 31, 2016 | Year ended September 30, 2015 |
|-------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Raw Materials | - | 30,859,839 |
| Stores and Spares | 3,109,335 | 15,715,490 |
| Total | 3,109,335 | 46,575,329 |

39 Income in Foreign Currency

| | Six Months ended March 31, 2016 | Year ended September 30, 2015 |
|----------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| FOB value of Exports | 157,175,249 | 101,979,285 |
| Freight and Insurance Recoveries | 1,316,282 | 2,023,224 |
| Total | 158,491,531 | 104,002,509 |

40 Expenditure in Foreign Currency

| | Six Months ended March 31, 2016 | Year ended September 30, 2015 |
|-------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Commission to Overseas Agents | - | 1,451,672 |
| Others | 197,827 | 440,168 |
| Total | 197,827 | 1,891,840 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

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

| | Six Months ended March 31, 2016 | Year ended September 30, 2015 |
|--|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Statutory Auditors' Remuneration | | |
| Audit Fees (including branch auditor fee ₹ 100,000; Previous Period ₹ 400,000) | 1,150,000 | 2,000,000 |
| Tax Audit Fees | 300,000 | 300,000 |
| Certification | 360,000 | 800,000 |
| Transfer Pricing | - | 100,000 |
| Taxation matters | 100,000 | 200,000 |
| Out of Pocket Expenses (including branch auditor expenses) | 105,959 | 410,059 |
| Service Tax | 306,370 | 463,700 |
| Cost Auditors' Remuneration | | |
| Audit Fees | 150,000 | 300,000 |
| Out of Pocket Expenses | - | 12,600 |
| Service Tax | 23,250 | 42,000 |
| Total | 2,495,579 | 4,628,359 |

42 Directors Remuneration

| | Six Months ended March 31, 2016 | | Year ended Septemeber 30, 2015 | |
|---|---------------------------------|------------------|--------------------------------|-----------|
| | ₹ | ₹ | ₹ | ₹ |
| Salary and Allowance | | 1,459,800 | | 3,515,684 |
| - H S Bhaskar (upto July 13, 2015) | - | | 2,867,945 | |
| - Sachin Kulkarni (w.e.f. July 13, 2015) | 1,459,800 | | 647,739 | |
| Benefits and Perquisites | | 163,485 | | 119,490 |
| - H S Bhaskar (upto July 13, 2015) | - | | 78,480 | |
| - Sachin Kulkarni (w.e.f. July 13, 2015) | 163,485 | | 41,010 | |
| Bonus/Commission | | - | | 1,200,000 |
| - H S Bhaskar (upto July 13, 2015) | - | | 1,200,000 | |
| Pension contribution to providend and superannuation fund | | 202,500 | | 395,374 |
| - H S Bhaskar (upto July 13, 2015) | - | | 307,188 | |
| - Sachin Kulkarni (w.e.f. July 13, 2015) | 202,500 | | 88,186 | |
| Total | | 1,825,785 | | 5,230,548 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

43 Lease Transactions

The Company has taken facilities on lease at Bangalore. The future lease payments under non-cancellable operating lease arrangements are as under:

| | Six Months ended March 31, 2016 | Year ended September 30, 2015 |
|---|--|--|
| | ₹ | ₹ |
| Minimum Lease Payments: | | |
| - Not Later than one year | 180,000 | - |
| - Later than one year and not later than five years | - | - |
| - Later than five years | - | - |
| Total | 180,000 | - |

Lease payments of ₹ 40,000 (Previous Year: Nil) in respect of obligation under non-cancellable operating leases have been recognized in the Statement of Profit and Loss.

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

44 Related Party Disclosures:**A Names of the related parties and description of relationship (where there are transactions)****I) Holding Company**

Shapoorji Pallonji & Company Private Limited
Formerly known as Shapoorji Pallonji & Company Limited

II) Subsidiary

Gokak Power & Energy Limited

III) Fellow Subsidiaries

Forbes & Company Limited
 Eureka Forbes Limited
 Forval International Services Limited

IV) Key Managerial Personnel

Mr. H. S. Bhaskar
 Mr. Sachin Kulkarni
 Mr. Vikram Nagar

Whole Time Director (upto July 13, 2015)
 Whole Time Director (w.e.f. July 13, 2015 to May 16, 2016)
 Chief Financial Officer (w.e.f. March 29, 2016)
 Whole Time Finance Director (w.e.f. May 16, 2016)

B Particulars of transaction with Related Parties

(Amount in ₹)

| Six Months ended March 31, 2016 Year Ended September 30, 2015 Nature of Transactions | Holding Company | Subsidiary | Fellow Subsidiaries | Key Managerial Personnel | Total |
|--|--------------------|-------------|------------------------|-----------------------------|-------------|
| Sales | - | - | 18,749 | - | 18,749 |
| Previous Year | 286,881 | - | 5,001 | - | 291,882 |
| Interest Received | - | 9,204,331 | - | - | 9,204,331 |
| Previous Year | - | 12,938,566 | - | - | 12,938,566 |
| Rent | - | - | 179,354 | - | 179,354 |
| Previous Year | - | - | 354,228 | - | 354,228 |
| Servies Received | - | - | 611,921 | - | 611,921 |
| Previous Year | - | - | 1,482,965 | - | 1,482,965 |
| Purchase of Electricity | - | 19,908,000 | - | - | 19,908,000 |
| Previous Year | - | 136,479,335 | - | - | 136,479,335 |
| Remuneration | - | - | - | 1,851,438 | 1,851,438 |
| Previous Year | - | - | - | 5,230,548 | 5,230,548 |
| Preference shares issued | 200,000,000 | - | - | - | 200,000,000 |
| Previous Year | 200,000,000 | - | - | - | 200,000,000 |
| Borrowings | 185,100,000 | - | - | - | 185,100,000 |
| Previous Year | 365,800,000 | - | - | - | 365,800,000 |
| Interest paid | 19,071,621 | - | - | - | 19,071,621 |
| Previous Year | 10,330,521 | - | - | - | 10,330,521 |
| Expenses/Payments incurred on behalf | - | 49,123 | - | - | 49,123 |
| Previous Year | - | 132,622 | 68,536 | - | 201,158 |
| Reimbursement of deposit received on behalf | - | - | 209,000 | - | 209,000 |
| Previous Year | - | - | - | - | - |
| Receivables | 889,338 | 114,564,979 | 1,683,493 | - | 117,137,810 |
| Previous Year | 889,338 | 108,666,039 | 1,873,744 | - | 111,429,121 |
| Deposits Receivables | - | 10,000,000 | - | - | 10,000,000 |
| Previous Year | - | 10,000,000 | - | - | 10,000,000 |
| Payables | 247,290,628 | - | 2,536,693 | 1,258,353 | 251,085,674 |
| Previous Year | 375,097,468 | - | 2,454,451 | 1,200,000 | 378,751,919 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

C Details of Related Party Transactions

| Nature Of Transaction | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ | Nature Of Transaction | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|--|--------------------------------------|------------------------------------|--|--------------------------------------|------------------------------------|
| Sales | | | Expenses/Payments incurred on behalf | | |
| Shapoorji Pallonji & Company Private Limited | - | 286,881 | Gokak Power & Energy Limited | 49,123 | 132,622 |
| Forbes & Company Limited | 18,749 | 5,001 | Forbes & Company Limited | - | 68,536 |
| Services Received | | | Reimbursement of deposit received on behalf | | |
| Forvol International Services Limited | 296,298 | 1,174,898 | Forbes & Company Limited | 209,000 | - |
| Eureka Forbes Limited | 6,522 | 54,541 | Remuneration | | |
| Forbes & Company Limited | 309,101 | 253,526 | H S Bhaskar | - | 4,453,613 |
| Interest Income | | | Sachin Kulkarni | 1,825,785 | 776,935 |
| Gokak Power & Energy Limited | 9,204,331 | 12,938,566 | Vikram Nagar | 25,653 | - |
| Rent Paid | | | Deposits Receivable | | |
| Forbes & Company Limited | 179,354 | 354,228 | Gokak Power & Energy Limited | 10,000,000 | 10,000,000 |
| Purchase of Electricity | | | Receivables | | |
| Gokak Power & Energy Limited | 19,908,000 | 136,479,335 | Shapoorji Pallonji & Company Private Limited | 889,338 | 889,338 |
| Interest paid | | | Forbes & Company Limited | 1,683,493 | 1,873,744 |
| Shapoorji Pallonji & Company Private Limited | 19,071,621 | 10,330,521 | Gokak Power & Energy Limited | 114,564,979 | 108,666,039 |
| Loans taken | | | Payables | | |
| Shapoorji Pallonji & Company Private Limited | 185,100,000 | 365,800,000 | Shapoorji Pallonji & Company Private Limited | 247,290,628 | 375,097,468 |
| Preference shares issued | | | Eureka Forbes Limited | 35,750 | 35,750 |
| Shapoorji Pallonji & Company Private Limited | 200,000,000 | 200,000,000 | Forvol International Services Limited | 85,362 | 79,018 |
| | | | Forbes & Company Limited | 2,415,581 | 2,339,683 |
| | | | Sachin Kulkarni | 32,700 | - |
| | | | H S Bhaskar | 1,200,000 | 1,200,000 |
| | | | Vikram Nagar | 25,653 | - |

45 "A section of workman (not supported by recognised union) of Mills division had gone on illegal flash strike with effect from March 9, 2016. In the interest of the safety of the workmen, raw materials, equipments, and other property of the Company, the Company in response to the illegal strike had declared a lockout on March 17, 2016 from 6.00 A.M. at its Mills division. Subsequent to this, the lockout at the Mills division had been lifted with effect from May 13, 2016."

46 The Company has reported the erosion of net worth under section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 to the Board of Industrial and Financial Reconstruction on March 18, 2016.

47 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.

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

**Consolidated
Financial Statements of
Gokak Textiles Limited**

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

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of GOKAK TEXTILES LIMITED (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the six months ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act"), 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, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, 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 financial control relevant to the Holding Company's preparation 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 the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated 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, of the consolidated state of affairs of the Group as at March 31, 2016, their consolidated loss and their consolidated cash flows for the six months ended on that date.

Emphasis of Matters

As stated in the Independent Auditors' report of the Holding company, in view of the accumulated losses and the labour related problems, the auditors of the Holding company have considered and relied on the commitment to and the active involvement in the Holding Company of its Parent company and based on the this commitment and involvement, the financial statements of the Holding company have been prepared on the Going Concern basis.

Opinion of the Independent Auditors' was not modified in respect of the above matter.

Other Matters

We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of Rs. 1,385,411,448 as at March 31, 2016, total revenues of Rs. 21,741,888 and net cash flows amounting to Rs. 58,768,350 for the six months ended on that date, as considered in the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and our report in terms of sub-sections (3) and (11) of section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and on the consideration of the report of other auditor on the separate financial statements of the subsidiary, as noted in the Other Matters paragraph above, we report, to the extent applicable that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.
- d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the Directors of the Holding Company as on March 31, 2016 and taken on record by the Board of Directors of the Holding Company, none of the Directors of the Holding Company, is disqualified as on March 31, 2016, from being appointed as a Director in terms of section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial control over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A" and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on the separate financial statements of certain subsidiaries, as noted in sub-paragraph (a) of the Other Matters paragraph above:
 - i) The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 30 to the Consolidated Financial Statements.
 - ii) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts requiring provision under the applicable law or accounting standards.
 - iii) There are no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company.

For **KALYANIWALLA & MISTRY**
 CHARTERED ACCOUNTANTS
 (Firm Registration No. 104607W)

Anil A. Kulkarni
 Partner
 Membership No. 47576

Place: Mumbai

Date: July 8, 2016

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

As referred to in paragraph (f) under the heading 'Report on Other Legal and Regulatory Requirements' in our Independent Auditor's Report of even date on the Consolidated Financial Statements for the six months ended March 31, 2016.

Report on the Internal Financial Controls under Clause

(i) of Sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the Consolidated financial statements of GOKAK TEXTILES LIMITED (hereinafter referred to as "the Holding Company") and its subsidiary company, which are companies incorporated in India, as of and for the six months ended March 31, 2016, we have audited the internal financial controls over financial reporting of the Holding Company and have received the report for its subsidiary company, which has been audited by another firm.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company and its subsidiary company, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (the "Act" or the "Companies Act")

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any

evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Holding Company and its subsidiary company, which are companies incorporated in India, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

Other Matters

Our aforesaid reports under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company, is based on the corresponding reports of the auditors of such companies incorporated in India.

For, **KALYANIWALLA & MISTRY**
CHARTERED ACCOUNTANTS
(Firm Registration No. 104607W)

Anil A. Kulkarni
Partner
Membership No. 47576

Place: Mumbai

Date: July 8, 2016

GOKAK TEXTILES LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2016

| | Note | As at March 31, 2016 ₹ | As at September 30, 2015 ₹ |
|--------------------------------------|------|------------------------------|----------------------------------|
| <u>EQUITY AND LIABILITIES</u> | | | |
| Shareholders' funds | | | |
| Share Capital | 4 | 464,993,080 | 264,993,080 |
| Reserves and Surplus | 5 | (1,140,454,914) | (899,829,038) |
| | | (675,461,834) | (634,835,958) |
| Minority Interest | | 64,020,522 | 75,743,041 |
| Non-current liabilities | | | |
| Long Term Borrowings | 6 | 1,214,025,504 | 936,016,382 |
| Deferred tax Liabilities (Net) | 7 | 37,127,446 | 29,217,632 |
| Long Term Provisions | 8 | 69,115,807 | 21,749,506 |
| | | 1,320,268,757 | 986,983,520 |
| Current liabilities | | | |
| Short Term Borrowings | 9 | 718,589,623 | 1,075,360,210 |
| Trade Payables | 10 | 269,030,256 | 471,069,838 |
| Other Current Liabilities | 11 | 595,983,937 | 565,661,566 |
| Short-Term Provisions | 12 | 4,978,968 | 4,637,347 |
| | | 1,588,582,784 | 2,116,728,961 |
| TOTAL | | 2,297,410,229 | 2,544,619,564 |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed Assets | | | |
| Tangible assets | 13A | 1,215,331,737 | 1,265,952,170 |
| Intangible assets | 13B | 9,838,521 | 11,136,389 |
| Capital Work in Progress | | 3,298,022 | 3,036,056 |
| | | 1,228,468,280 | 1,280,124,615 |
| Non Current Investments | 14 | 52,502 | 52,502 |
| Deferred Tax Asset (Net) | 15 | 32,998,350 | 4,944,757 |
| Long-Term Loans And Advances | 16 | 226,883,404 | 218,128,869 |
| | | 1,488,402,536 | 1,503,250,743 |
| Current assets | | | |
| Inventories | 17 | 384,903,121 | 442,386,728 |
| Trade Receivables | 18 | 121,181,965 | 128,268,511 |
| Cash and Bank Balances | 19 | 159,148,137 | 290,440,168 |
| Short-Term Loans And Advances | 20 | 52,404,593 | 73,437,276 |
| Other Current Assets | 21 | 91,369,877 | 106,836,138 |
| | | 809,007,693 | 1,041,368,821 |
| TOTAL | | 2,297,410,229 | 2,544,619,564 |

Significant Accounting Policies 2&3
Directors

The notes are an integral part of the these financial statements
As per our Report attached
For KALYANIWALLA & MISTRY
Chartered Accountants
(Firm registration no. 104607W)

Anil A. Kulkarni
Partner
(Membership no. 47576)

Date: 08-07-2016
Place: Mumbai

For and on behalf of the Board of

Vikram Nagar
Whole Time Finance Director
DIN: 07526281

Pradip Kapadia
Director
DIN: 00078673

Kaiwan Kalyaniwalla
Director
DIN: 00060776

Zarine K Commissariat
Director
DIN: 07146151

Ashok Barat
Chairman
DIN: 00492930

Vasant N. Sanzgiri
Director
DIN: 01757117

D. G. Prasad
Director
DIN: 00160408

A. R. Nandkumar
DGM - Accounts & Costing

GOKAK TEXTILES LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2016

| | Note | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|--|------|---|---------------------------------------|
| REVENUE | | | |
| Revenue from operations (gross) | 22 | 972,630,355 | 3,248,268,070 |
| Less : Excise Duty | | - | - |
| Revenue from operations (net) | | 972,630,355 | 3,248,268,070 |
| Other Operating Income | 23 | 42,174,362 | 91,476,466 |
| Other Income | 24 | 46,277,795 | 25,619,507 |
| TOTAL REVENUE | | 1,061,082,512 | 3,365,364,043 |
| EXPENSES | | | |
| Cost of Raw Materials Consumed | 25 | 581,153,654 | 1,804,751,986 |
| Purchase of Trading Goods | | 9,118,494 | - |
| Change In Inventory of Finished Goods and Work in Progress | 26 | 55,592,623 | 421,535,229 |
| Employee Benefit Expenses | 27 | 175,335,573 | 457,280,329 |
| Other Expenses | 28 | 316,487,638 | 717,366,906 |
| Depreciation | 13 | 40,693,253 | 86,297,806 |
| Finance Costs | 29 | 154,589,385 | 323,757,634 |
| TOTAL EXPENSES | | 1,332,970,620 | 3,810,989,890 |
| Loss before tax | | (271,888,108) | (445,625,847) |
| Exceptional Items | | - | - |
| Loss before extraordinary items and tax | | (271,888,108) | (445,625,847) |
| Extraordinary Items | | - | - |
| Loss before tax | | (271,888,108) | (445,625,847) |
| Tax expense | | | |
| Current Tax | | - | 5,103,087 |
| Prior Period Tax Adjustment | | 604,066 | 781,572 |
| Minimum Alternate Tax Credit Entitlement | | - | (5,103,087) |
| Deferred tax | | (20,143,779) | (12,504,294) |
| Loss after tax before minority interest | | (252,348,395) | (433,903,125) |
| Minority Interest | | (11,722,519) | (46,438,865) |
| Loss after Tax | | (240,625,876) | (387,464,260) |
| Basic and Diluted Earnings per share (in `) | 37 | (37.02) | (59.62) |
| Significant Accounting Policies | 2&3 | | |

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

For KALYANIWALLA & MISTRY
Chartered Accountants
(Firm registration no. 104607W)

Anil A. Kulkarni
Partner
(Membership no. 47576)

Date: 08-07-2016
Place: Mumbai

For and on behalf of the Board of

Vikram Nagar
Whole Time Finance Director
DIN: 07526281

Pradip Kapadia
Director
DIN: 00078673

Kaiwan Kalyaniwalla
Director
DIN: 00060776

Zarine K Commissariat
Director
DIN: 07146151

Ashok Barat
Chairman
DIN: 00492930

Vasant N. Sanzgiri
Director
DIN: 01757117

D. G. Prasad
Director
DIN: 00160408

A. R. Nandkumar
DGM - Accounts & Costing

GOKAK TEXTILES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016

| | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|---|---|---------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before tax | (271,888,108) | (445,625,847) |
| Adjustments for: | | |
| Depreciation | 40,693,253 | 86,297,806 |
| Interest income | (3,603,207) | (9,203,758) |
| Interest and financial charges | 154,589,385 | 323,757,634 |
| Profit on Sale of Fixed Assets | (38,023,862) | (79,734) |
| Dividend Income | - | (12,500) |
| Provision for Doubtful Debts | 1,536,217 | 4,501,540 |
| Provision for Doubtful Advances | (400,000) | 630,849 |
| Operating profit/(loss) before working capital changes | (117,096,322) | (39,734,010) |
| Adjustments for : | | |
| (Increase)/ Decrease in Inventories | 57,483,607 | 557,707,423 |
| (Increase)/ Decrease in Trade and other receivables | 31,033,472 | (4,315,169) |
| Increase/ (Decrease) in Trade payables and other liabilities | (136,602,758) | 166,289,314 |
| Cash generated from operations | (165,182,001) | 347,368,930 |
| Direct Taxes (paid) / refund | (964,782) | 958,716 |
| Net cash from/ (used in) operating activities | (166,146,783) | 348,327,646 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (773,124) | (6,635,090) |
| Sale of Fixed Assets | 49,760,068 | 113,425 |
| Interest received | 6,625,189 | 9,191,917 |
| Dividend received | - | 12,500 |
| Net cash from/(used in) investing activities | 55,612,133 | 2,682,752 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of 2,00,00,000 7% Non-cumulative, non-convertible, Redeemable Preference Shares of ₹ 10 each | 200,000,000 | 200,000,000 |
| Proceeds/ (Repayments) of Borrowings from Banks and Financial Institutions | (72,359,900) | (22,673,355) |
| Interest paid | (148,397,481) | (323,515,852) |
| Net cash from/(used in) financing activities | (20,757,381) | (146,189,207) |
| NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS | (131,292,031) | 204,821,191 |
| Cash and Cash equivalents at the beginning of the year/period | 290,440,168 | 85,618,977 |
| Cash and Cash equivalents at the end of the year/period | 159,148,137 | 290,440,168 |

GOKAK TEXTILES LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2016

| | Six Months ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|---|---|---------------------------------------|
| D. COMPONENTS OF CASH AND CASH EQUIVALENTS | | |
| Cash on Hand | 1,997,287 | 706,236 |
| Balances with banks: | | |
| -In current account | 67,269,104 | 205,723,923 |
| -In deposit accounts | 89,881,746 | 84,010,009 |
| - In Working Capital Loan | - | - |
| | 159,148,137 | 290,440,168 |

Notes :

- 1 Figures in brackets indicate cash outflow.
- 2 Change in borrowings are shown net of receipts and payments.
- 3 Purchase of fixed assets includes movements in Capital Work-in-process between the beginning and the end of the year.
- 4 Previous year's figures have been rearranged / regrouped wherever necessary.
- 5 To finance the working capital requirements, the Company's bankers have sanctioned a total fund based limit of ₹ 9,700 lac. Out of this, limit utilised as on March 31, 2016 is ₹ 3,567 lac.

The notes are an integral part of the these financial statements
As per our Report attached
For KALYANIWALLA & MISTRY
Chartered Accountants
(Firm registration no. 104607W)

Anil A. Kulkarni
Partner
(Membership no. 47576)

Date: 08-07-2016
Place: Mumbai

For and on behalf of the Board of

Vikram Nagar
Whole Time Finance Director
DIN: 07526281

Pradip Kapadia
Director
DIN: 00078673

Kaiwan Kalyaniwalla
Director
DIN: 00060776

Zarine K Commissariat
Director
DIN: 07146151

Ashok Barat
Chairman
DIN: 00492930

Vasant N. Sanzgiri
Director
DIN: 01757117

D. G. Prasad
Director
DIN: 00160408

A. R. Nandkumar
DGM - Accounts & Costing

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

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 January 23, 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 Basis of Consolidation

The consolidated financial statements relate to M/s. Gokak Textiles Limited, the holding Company, and its subsidiary Gokak Power & 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'.

a) Basis of Accounting:

The financial statements of the Company have been prepared on 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 specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other accounting principles generally accepted in India and the relevant provisions of the Companies Act, 2013 ('the Act') / the Companies Act, 1956, as applicable. The financial statements have been prepared on accrual basis and under the historical cost convention.

b) Principles of consolidation:

- i) The financial statements of the company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealised profits or losses have been fully eliminated.
- ii) The excess of cost to the Company of its investments in the subsidiary company over its share of equity of the subsidiary company at the date on which the investment in the subsidiary company is made, is recognised as 'Goodwill' being an asset in the consolidated financial statement. Alternatively, where the share of equity in the subsidiary company as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- iii) Minority interest in the net assets of consolidated subsidiary consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary company and further movements in their share in the equity, subsequent to the dates of investments.

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 as per useful life specified in Schedule II to the Companies Act, 2013. 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.

GOKAK TEXTILES LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016****(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. Income from processing operations is recognised on completion of production/dispatch of the goods, as per the terms of contract. Income from power generation of the Subsidiary Company is recognised on the transmission of power to the customers and are net of taxes. Revenue from renewable energy certificates is recognised on accrual basis. 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.

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

(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.

(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.

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

4 Share Capital

| | March 31, 2016 | | September 30, 2015 | |
|---|-------------------|--------------------|--------------------|--------------------|
| | Number | ₹ | Number | ₹ |
| Authorised | | | | |
| Equity Shares of ₹ 10 each | 7,000,000 | 70,000,000 | 7,000,000 | 70,000,000 |
| Non-cumulative, non-convertible Redeemable Preference Shares of ₹ 10 each | 70,000,000 | 700,000,000 | 20,000,000 | 200,000,000 |
| Issued, Subscribed & Paid up | | | | |
| Equity Shares of ₹ 10 each fully paid | 6,499,308 | 64,993,080 | 6,499,308 | 64,993,080 |
| 7% Non-cumulative, non-convertible, Redeemable Preference Shares of ₹ 10 each | 40,000,000 | 400,000,000 | 20,000,000 | 200,000,000 |
| Total | 46,499,308 | 464,993,080 | 26,499,308 | 264,993,080 |

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

| | March 31, 2016 | | September 30, 2015 | |
|---|------------------|-------------------|--------------------|-------------------|
| | Number | ₹ | Number | ₹ |
| Shares outstanding at the beginning of the year / period | 6,499,308 | 64,993,080 | 6,499,308 | 64,993,080 |
| Add: Shares Issued during the year / period | - | - | - | - |
| Less: Shares bought back during the year / period | - | - | - | - |
| Shares outstanding at the end of the year / period | 6,499,308 | 64,993,080 | 6,499,308 | 64,993,080 |

(B) Reconciliation of 7% Non-cumulative, non-convertible, Redeemable Preference Shares outstanding at the beginning and end of the reporting year / period.

| | March 31, 2016 | | September 30, 2015 | |
|--|-------------------|--------------------|--------------------|--------------------|
| | Number | ₹ | Number | ₹ |
| Shares outstanding at the beginning of the year | 20,000,000 | 200,000,000 | - | - |
| Add: Shares Issued during the year | 20,000,000 | 200,000,000 | 20,000,000 | 200,000,000 |
| Less: Shares bought back during the year | - | - | - | - |
| Shares outstanding at the end of the year | 40,000,000 | 400,000,000 | 20,000,000 | 200,000,000 |

(C) Terms/rights attached to equity shares

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

During the Six months ended March 31, 2016, the amount of per share dividend recognized as distributions to equity shareholders is NIL (September 30, 2015: NIL).

(D) Terms/rights attached to 7% Non-cumulative, Non-convertible, Redeemable Preference Shares

7% Non-cumulative, non-convertible, Redeemable Preference Shares shall be non-participating, redeemable before 20 years from the date of their issue, carry a preferential right, vis-a-vis equity shares with respect to payment of dividend and repayment in case of a winding up or repayment of capital and shall carry voting rights as per the provisions of Section 47 (2) of the Act.

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

| Name of Share Holder | March 31, 2016 | | September 30, 2015 | |
|--|----------------|---------|--------------------|--------|
| | Number | % | Number | % |
| Shapoorji Pallonji & Company Private Limited - Holding Company | | | | |
| - Equity shares | 4,780,845 | 73.56% | 4,780,845 | 73.56% |
| - 7% Non-cumulative, non-convertible, Redeemable Preference Shares | 40,000,000 | 100.00% | 20,000,000 | 0.00% |

(F) 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. Further, the Company has not issued shares for consideration other than cash in the past five years.

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

5 Reserves & Surplus

| | March 31, 2016 | September 30, 2015 |
|---|------------------------|----------------------|
| | ₹ | ₹ |
| Surplus/ (Deficit) in Statement of Profit and Loss | | |
| Opening balance | (1,615,860,724) | (1,212,817,665) |
| (-) Carrying value recognised in opening balance where remaining useful life of assets is 'Nil' as per Schedule II to the Act (net of deferred tax) | - | (15,578,799) |
| (+) Net loss for the year / period | (240,625,876) | (387,464,260) |
| Closing Balance | (1,856,486,600) | (1,615,860,724) |
| General Reserve | 716,031,686 | 716,031,686 |
| Total | (1,140,454,914) | (899,829,038) |

6 Long term borrowings

| | March 31, 2016 | September 30, 2015 |
|--|----------------------|--------------------|
| | ₹ | ₹ |
| Secured | | |
| Term Loans from Banks/Financial Institutions | 1,214,025,504 | 936,016,382 |
| Total | 1,214,025,504 | 936,016,382 |

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

| Particulars | March 31, 2016 | September 30, 2015 |
|----------------|----------------------|--------------------|
| | ₹ | ₹ |
| 1-2 Years | 393,035,504 | 291,389,040 |
| 2-3 Years | 391,115,000 | 163,602,342 |
| 3-4 years | 111,600,000 | 106,950,000 |
| Beyond 4 Years | 318,275,000 | 374,075,000 |
| Total | 1,214,025,504 | 936,016,382 |

The above borrowings carry effective interest rates ranging from 10.65% p.a. to 14 % p.a.

Borrowings amounting to ₹ NIL (Previous Year: ₹ 9,674,000) are secured by exclusive charge of hypothecation of movable/immovable fixed assets acquired/ to be acquired.

Borrowings amounting to ₹ 57,215,000 (Previous Year: ₹ 76,499,000) are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired/ to be acquired.

Borrowings amounting to ₹ 538,610,504 (Previous Year: ₹ 194,443,382) are secured by second pari passu charge on movable/ immovable fixed assets acquired.

Borrowing amounting to ₹ 618,200,000 (Previous Year: ₹ 655,400,000) are secured by 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. The Borrower shall maintain a Debt Service Reserve Account (DSRA) during the currency of the facility equivalent to an amount equal to ensuing 6 months Debt servicing obligation.

GOKAK TEXTILES LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016****7 Deferred Tax Liability**

| | March 31, 2016 | September 30, 2015 |
|---------------------------------|-------------------|--------------------|
| | ₹ | ₹ |
| Deferred Tax Liability | | |
| Depreciation | 74,538,586 | 63,443,201 |
| Deferred Tax Asset | | |
| Provision For Doubtful Debts | 20,592,219 | 20,117,528 |
| Provision For Employee Benefits | 16,818,921 | 14,108,041 |
| | 37,127,446 | 29,217,632 |

For the six months ended March 31, 2016, 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.

8 Long term Provisions

| | March 31, 2016 | September 30, 2015 |
|--|-------------------|--------------------|
| | ₹ | ₹ |
| Provision For Gratuity (Refer Note No. 35) | 7,541,757 | 7,940,451 |
| Provision For Leave Encashment | 11,574,050 | 13,809,055 |
| Provision For Contingencies | 50,000,000 | - |
| Total | 69,115,807 | 21,749,506 |

Provision for contingencies is towards the estimated liability on account of non-fulfillment of export obligations under the Export Promotion Capital Goods Scheme.

| Movement in provisions is as follows: | March 31, 2016 | September 30, 2015 |
|---|----------------|--------------------|
| Provision for Contingencies | ₹ | ₹ |
| Balance at the beginning of the year / period | - | - |
| Additions during the year / period | 50,000,000 | - |
| Utilisation / reversal during the year / period | - | - |
| Balance at the end of the year / period | 50,000,000 | - |

9 Short term Borrowings

| | March 31, 2016 | September 30, 2015 |
|--------------------------------|--------------------|----------------------|
| | ₹ | ₹ |
| Working Capital Loan (Secured) | 356,731,829 | 681,060,210 |
| Unsecured | | |
| From Hoding Company | 220,900,000 | 394,300,000 |
| From Associate Company | 140,957,794 | - |
| Total | 718,589,623 | 1,075,360,210 |

The above borrowings carry effective interest rates ranging from 11.5% p.a. to 12.85 % p.a. Working Capital Loan is secured against hypothecation of all stocks including raw materials, work in progress, finished goods, stores and book debts.

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

10 Trade Payables

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| Total outstanding dues of micro enterprises and small enterprises (Refer Note 32) | 2,934,728 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises (Refer Note 34) | 266,095,528 | 471,069,838 |
| Total | 269,030,256 | 471,069,838 |

11 Other Current Liabilities

| | March 31, 2016 | September 30, 2015 |
|---|--------------------|--------------------|
| | ₹ | ₹ |
| Current Maturities of Long Term Borrowings (Refer Note 6) | 330,971,756 | 324,570,191 |
| Advances from Customers | 44,513,139 | 25,274,560 |
| Deposits | 9,557,758 | 9,421,258 |
| Sales Tax Payable | 400,127 | 2,482,667 |
| Other Payables | 169,710,436 | 183,151,395 |
| Interest accrued but not due | 14,068,126 | 7,876,222 |
| Interest accrued and due | 26,390,628 | 11,789,247 |
| Payable to capital creditors | 371,967 | 1,096,026 |
| Total | 595,983,937 | 565,661,566 |

There are no amounts due for payments to the Investor Education and Protection Fund as at the year end.

12 Short Term Provisions

| | March 31, 2016 | September 30, 2015 |
|--|------------------|--------------------|
| | ₹ | ₹ |
| Provision For Gratuity (Refer Note 35) | 1,882,766 | 1,042,853 |
| Provision For Leave Encashment | 3,096,202 | 3,594,494 |
| Total | 4,978,968 | 4,637,347 |

GOKAK TEXTILES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

| 13 Fixed Assets | Description of Assets | GROSS BLOCK | | | | DEPRECIATION | | | | | | NET BLOCK | | |
|-----------------|--|--------------------------|----------------|--------------------|----------------------|--------------------------|--------------------------|---|----------------------|---------------------------------|----------------------|----------------------|--------------------------|----------------------|
| | | As on September 30, 2015 | Addition | Deduction | As on March 31, 2016 | As on September 30, 2015 | Form the 6 months period | recognised in retained earnings during the period | As on March 31, 2016 | On deductions during the period | As on March 31, 2016 | As on March 31, 2016 | As on September 30, 2015 | |
| 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 | 2,245,450 |
| | Factory Building | 624,685,540 | - | - | 624,685,540 | 289,644,537 | 8,834,963 | - | 298,479,500 | - | - | 326,206,040 | 335,041,003 | 335,041,003 |
| | Residential Building | 83,230,369 | - | 1,990,586 | 81,239,783 | 28,805,002 | 1,199,916 | - | 29,198,863 | 806,055 | - | 52,040,920 | 54,425,367 | 54,425,367 |
| | Canal Lining | 122,884 | - | - | 122,884 | 116,740 | - | - | 116,740 | - | - | 6,144 | 6,144 | 6,144 |
| | Plant and Machinery | 3,312,010,174 | 471,895 | 242,411,981 | 3,070,070,088 | 2,453,572,837 | 26,876,951 | - | 2,248,573,541 | 231,876,247 | - | 821,496,547 | 858,437,337 | 858,437,337 |
| | Furniture, Fixtures and Office Equipment | 75,270,879 | 39,263 | 20,000 | 75,290,142 | 60,512,115 | 2,312,908 | - | 62,816,744 | 8,279 | - | 12,473,398 | 14,758,764 | 14,758,764 |
| | Vehicles | 15,436,895 | - | 102,346 | 15,334,549 | 14,398,790 | 170,645 | - | 14,471,309 | 98,126 | - | 863,240 | 1,038,105 | 1,038,105 |
| | Total Tangible Assets (A) | 4,113,152,191 | 511,158 | 244,524,913 | 3,869,138,436 | 2,847,200,021 | 39,395,383 | - | 2,653,806,697 | 232,788,707 | - | 1,215,331,739 | 1,265,952,170 | 1,265,952,170 |
| | Previous Year | 4,104,744,079 | 13,990,332 | 5,582,220 | 4,113,152,191 | 2,746,358,762 | 83,844,493 | 22,545,295 | 2,847,200,021 | 5,548,529 | - | 1,265,952,170 | - | - |
| B | Intangible Assets | | | | | | | | | | | | | |
| | Computer Software | 22,425,697 | - | - | 22,425,697 | 11,289,308 | 1,297,868 | - | 12,587,176 | - | - | 9,838,521 | 11,136,389 | 11,136,389 |
| | Total Intangible Assets (B) | 22,425,697 | - | - | 22,425,697 | 11,289,308 | 1,297,868 | - | 12,587,176 | 12,587,176 | - | 9,838,521 | 11,136,389 | 11,136,389 |
| | Previous Year | 22,425,697 | - | - | 22,425,697 | 8,835,995 | 2,453,313 | - | 11,289,308 | - | - | 11,136,389 | - | - |

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

14 Non Current Investments

| | March 31, 2016 | September 30, 2015 |
|--|----------------|--------------------|
| | ₹ | ₹ |
| In unquoted equity shares of New India Co-Operative Bank | 50,002 | 50,002 |
| In unquoted equity shares of Zoroastrian Co-op Bank Ltd. | 2,500 | 2,500 |
| Total | 52,502 | 52,502 |

11 Deferred Tax Asset

| | March 31, 2016 | September 30, 2015 |
|---|-------------------|--------------------|
| | ₹ | ₹ |
| <u>Deferred Tax Liability</u> | | |
| Depreciation | 109,123,815 | 99,113,266 |
| <u>Deferred Tax Asset</u> | | |
| Unabsorbed depreciation and brought forward business loss | - | 103,297,567 |
| Provision For Doubtful Debts | - | - |
| Provision For Employee Benefits | 709,680 | 760,456 |
| Provision For Gratuity | - | - |
| | 32,998,350 | 4,944,757 |

16 Long Term Loans and Advances

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| Unsecured, considered good | | |
| Advances Recoverable in cash or Kind for value to be received | 3,789,076 | 3,998,076 |
| Capital Advances | 1,326,510 | 659,328 |
| Balances with Excise Authorities | 95,838,235 | 94,688,599 |
| Balances with Sales Tax Authorities | 73,263,977 | 66,264,137 |
| Deposits | | |
| - Considered good | 16,834,149 | 17,047,988 |
| - Considered doubtful | 230,849 | 630,849 |
| Minimum Alternate Tax Credit Entitlement | 28,964,784 | 28,964,784 |
| Advance Tax (Net of provision for taxes ₹ Nil ; Previous Year: ₹ 23,861,697) | 6,866,673 | 6,505,957 |
| Less: Provision for doubtful advances | 230,849 | 630,849 |
| Total | 226,883,404 | 218,128,869 |

17 Inventories

| | March 31, 2016 | September 30, 2015 |
|---|--------------------|--------------------|
| | ₹ | ₹ |
| Raw materials | 58,181,968 | 57,923,176 |
| Work in Progress | 77,079,264 | 88,863,078 |
| Finished goods | 193,701,725 | 243,586,279 |
| Finished goods in Transit | 6,075,745 | - |
| Stores and Spares including Fuel and Packing Material | 49,864,419 | 52,014,195 |
| Total | 384,903,121 | 442,386,728 |

GOKAK TEXTILES LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016****18 Trade Receivables (Refer Note 34)**

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| Outstanding for a period exceeding six months | | |
| Considered good | 14,314,054 | 11,408,752 |
| Considered doubtful | 66,641,487 | 65,105,270 |
| Total | 80,955,541 | 76,514,022 |
| Other Debts | | |
| Considered good | 106,867,911 | 116,859,759 |
| Less: Provision for doubtful debts | 66,641,487 | 65,105,270 |
| Total | 121,181,965 | 128,268,511 |

19 Cash and Bank Balances

| | March 31, 2016 | September 30, 2015 |
|----------------------------|--------------------|--------------------|
| | ₹ | ₹ |
| Cash on Hand | 1,997,287 | 706,236 |
| <u>Balances with banks</u> | | |
| In current accounts | 67,269,104 | 205,723,923 |
| In deposit accounts | 89,881,746 | 84,010,009 |
| Total | 159,148,137 | 290,440,168 |

20 Short-term Loans and advances

| | March 31, 2016 | September 30, 2015 |
|---|-------------------|--------------------|
| | ₹ | ₹ |
| Unsecured, considered good | | |
| Advances Recoverable in cash or Kind for value to be received | | |
| - Considered good | 37,292,349 | 24,082,846 |
| - Considered doubtful | 471,227 | 471,227 |
| Prepaid Expenses | 6,210,690 | 10,337,592 |
| - Others | 8,388,784 | 37,462,491 |
| Deposit | 428,470 | 1,538,200 |
| Staff Advance | 84,300 | 5,000 |
| Other Receivables | - | 11,147 |
| Less: Provision for doubtful advances | 471,227 | 471,227 |
| Total | 52,404,593 | 73,437,276 |

21 Other Current Assets

| | March 31, 2016 | September 30, 2015 |
|-----------------------------|-------------------|--------------------|
| | ₹ | ₹ |
| TDS Receivable | 1,389,588 | - |
| Interest Subsidy Receivable | 7,737,161 | 6,439,656 |
| Interest Accrued | - | 3,021,982 |
| Fixed assets held for sale | 8,383,128 | 12,500,000 |
| REC Receivable | 73,860,000 | 84,874,500 |
| Total | 91,369,877 | 106,836,138 |

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

22 Revenue from Operations

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|-------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Sale of | | |
| Finished Goods | 954,929,640 | 3,228,189,329 |
| Trading Goods | 3,068,739 | - |
| Electricity | 2,364,768 | 3,691,524 |
| Processing Income | 12,267,208 | 16,387,217 |
| Total | 972,630,355 | 3,248,268,070 |

Details of Finished Goods Sold

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Grey Yarn | 729,591,236 | 2,391,717,665 |
| Blended Yarn | 6,030,093 | 24,913,520 |
| Dyed Yarn | 197,405,086 | 567,414,770 |
| Canvas | 3,642,242 | 191,170,364 |
| Apparels | 16,882,573 | 48,347,717 |
| Others | 1,378,410 | 4,625,293 |
| Total | 954,929,640 | 3,228,189,329 |

23 Other Operating Income

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Scrap Sales | 28,895,143 | 37,498,044 |
| Export Benefits | 4,820,719 | 3,368,422 |
| Revenue from REC | 8,458,500 | 50,610,000 |
| | 42,174,362 | 91,476,466 |

24 Other Income

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Interest Income | | |
| - Others | 3,603,207 | 9,203,758 |
| Miscellaneous Income | 3,288,410 | 13,543,304 |
| Exchange Gain (Net) | 1,362,316 | 2,792,711 |
| Profit on Sale of Fixed Assets (Net) | 38,023,862 | 79,734 |
| Total | 46,277,795 | 25,619,507 |

GOKAK TEXTILES LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016****25 Cost of Raw Materials Consumed**

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Opening Stock of Raw Material | 57,923,176 | 188,168,313 |
| Add : Purchases | 581,412,446 | 1,674,506,849 |
| Total | 639,335,622 | 1,862,675,162 |
| Less : Closing Stock of Raw Material | 58,181,968 | 57,923,176 |
| Total | 581,153,654 | 1,804,751,986 |

Details of Raw Material Consumed

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Cotton | 538,107,753 | 1,643,399,094 |
| Staple Fibre | 8,697,234 | 42,703,142 |
| Bought Waste | 1,255,050 | 42,380,110 |
| Yarn | 8,206,471 | 8,318,212 |
| Others | 24,887,146 | 67,951,428 |
| Total | 581,153,654 | 1,804,751,986 |

26 Change In Inventory of Finished Goods and Work-in-Progress

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Closing Stocks: | | |
| Finished goods | 199,777,470 | 243,586,279 |
| Work in Progress | 77,079,264 | 88,863,078 |
| Total | 276,856,734 | 332,449,357 |
| Opening Stocks: | | |
| Finished goods | 243,586,279 | 631,114,719 |
| Work in Progress | 88,863,078 | 122,869,867 |
| Total | 332,449,357 | 753,984,586 |
| Total | 55,592,623 | 421,535,229 |

Details of Inventory

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Finished Goods | | |
| Grey Yarn | 62,525,991 | 94,702,110 |
| PC Yarn | 2,211,604 | 3,122,312 |
| Dyed Yarn | 16,794,297 | 28,588,501 |
| Canvas | 167,894 | 2,433,949 |
| Apparels | 111,716,143 | 114,333,529 |
| Terry Towel | 206,711 | 313,080 |
| Others | 6,154,830 | 92,798 |
| Total | 199,777,470 | 243,586,279 |
| Work in Progress | | |
| Cotton Yarn | 68,473,941 | 81,928,508 |
| Loose Grey Cloth & Fabric | 2,263,913 | 4,693,760 |
| Apparels | 6,341,410 | 2,240,810 |
| Total | 77,079,264 | 88,863,078 |

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

27 Employee Benefit Expense

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Salaries, Wages, Bonus and Exgratia | 141,521,823 | 347,290,208 |
| Contribution to Provident & Other Funds | 16,966,735 | 73,102,920 |
| Workmen and Staff Welfare Expenses | 16,847,015 | 36,887,202 |
| Total | 175,335,573 | 457,280,329 |

28 Other Expenses

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|---------------------------------------|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Consumption of Stores & Spares | 5,709,516 | 31,493,169 |
| Consumption of Packing material | 20,436,184 | 68,340,438 |
| Power and Fuel | 137,535,411 | 285,281,874 |
| Water Royalty Charges | 1,650,262 | 9,637,644 |
| Processing Charges | 222,305 | 566,462 |
| Repairs & Maintenance | | |
| Buildings | 750,099 | 2,116,128 |
| Plant & Machinery | 12,030,739 | 45,094,275 |
| Others | 9,382,226 | 24,575,768 |
| Total Repairs & Maintenance | 22,163,064 | 71,786,171 |
| Rent | 2,189,165 | 9,046,218 |
| Rates and Taxes | 14,741,213 | 16,237,239 |
| Insurance | 5,763,684 | 11,323,468 |
| Legal and Profession Fees | 7,619,017 | 15,696,780 |
| Hank Yarn Obligation | 783,357 | 2,978,413 |
| Printing & Stationery | 906,490 | 1,892,671 |
| Postage, Telegram and Courier Charges | 994,516 | 2,843,300 |
| Freight & Forwarding | 13,160,170 | 83,315,322 |
| Travelling and Conveyance | 1,779,123 | 5,581,938 |
| Commission and Discount | 9,972,532 | 41,966,139 |
| Marketing and Selling | - | 31,735 |
| Provision for Doubtful debts | 1,536,217 | 4,501,540 |
| Provision for doubtful advances | 50,000,000 | 630,849 |
| Miscellaneous Expenses | 19,325,410 | 54,215,535 |
| Total | 316,487,636 | 717,366,905 |

29 Finance Cost

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Interest on | | |
| Term Loan | 43,098,195 | 181,657,477 |
| Others | 42,226,940 | 131,285,540 |
| Other Borrowing Cost | 60,313,170 | 10,814,617 |
| Exchange Loss on foreign currency borrowings | 8,951,080 | - |
| Total | 154,589,385 | 323,757,634 |

GOKAK TEXTILES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

30 Contingent liabilities : Contingent liabilities not provided in respect of -

| | As at March 31, 2016 | As at September 30, 2015 |
|---|-------------------------|-----------------------------|
| | ₹ | ₹ |
| A) Guarantees issued by bank | 22,800,000 | 22,776,442 |
| B) Claims against the Company not acknowledged as debts | | |
| (i) Taxes in dispute :- | | |
| - Entry Tax/Special Entry tax | 11,458,194 | 11,458,194 |
| - Excise Demands | 14,299,818 | 14,299,818 |
| - Provident Fund | 2,810,682 | 2,810,682 |
| (ii) Labour Matters in Dispute | 5,198,272 | 5,198,272 |
| (iii) Other Demands Contested by the Company | | |
| - Creditors Claim | 71,471 | 71,471 |
| - Electricity Duty | - | 555,893 |
| C) Other money for which the Company is contingently liable | | |
| Bonds given by Company in favour of Customs Authorities | 464,844,557 | 478,320,557 |
| Total | 521,482,994 | 535,491,329 |

31 Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 180,438 (Previous Year: ₹ 14,832). Other commitments: Nil.

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.

| | Six months ended March 31, 2016 |
|--|------------------------------------|
| | ₹ |
| Principal amount remaining unpaid to any supplier as at the end of the accounting year | 2,934,728 |
| Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | 94,438 |
| Principal amount paid during the year beyond the appointed day | 6,353,646 |
| Interest paid during the year beyond the appointed day | - |
| The amount of interest due and payable for the year | 639,358 |
| The amount of interest accrued and remaining unpaid at the end of the accounting year | 639,358 |
| The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid or date of signing whichever is earlier. | 238,633 |

33 The Company has decided to change the Financial Year as per the provisions of the Companies Act 2013, from September to March, from March 2016. Accordingly these financial statements are prepared for a period of 6 months from October 1, 2015 to March 31, 2016. Hence the figures for the current accounting period are not comparable with those of the previous accounting year.

34 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.

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

35 Gratuity

| | | Six months ended | Year ended |
|-----------|--|-----------------------------|-----------------------------|
| | | March 31, 2016 | September 30, 2015 |
| | | ₹ | ₹ |
| a) | Change in Present Value of Obligation | | |
| | Present value of the obligation at the beginning of the year | 182,159,337 | 165,803,195 |
| | Benefits earned during the year | - | 13,788,344 |
| | Current Service Cost | 4,767,720 | 8,132,725 |
| | Interest Cost | 7,391,638 | 950,996 |
| | Past Service Cost - Vested Benefit | - | - |
| | Actuarial (Gain) / Loss on Obligation | (6,334,676) | 18,063,549 |
| | Actuarial (Gain) / Loss on Obligation due to change in financial assumptions | (491,264) | - |
| | Benefits Paid | (9,993,386) | (24,579,472) |
| | Present value of the obligation at the end of the year | 177,499,369 | 182,159,337 |
| b) | Change in Plan Assets | | |
| | Fair value of Plan Assets at the beginning of the year | 174,224,053 | 156,147,069 |
| | Expected return on Plan Assets | 6,899,272 | 13,584,795 |
| | Actuarial Gain / (Loss) on Plan Assets | (636,955) | (693,242) |
| | Assets transferred out / divestments | (1,047,800) | - |
| | Contributions by Plan Participants | - | 25,639,135 |
| | Benefits Paid | (8,761,360) | (20,453,704) |
| | Fair value of Plan Assets at the end of the year | 170,677,210 | 174,224,053 |
| c) | Amounts Recognised in the Balance Sheet | | |
| | Present value of Obligation at the end of the year | 177,499,369 | 182,159,337 |
| | Fair value of Plan Assets at the end of the year | 170,677,210 | 174,224,053 |
| | Funded Status | (1,853,212) | (1,047,800) |
| | Net Obligation at the end of the year | 8,675,371 | 7,935,284 |
| d) | Amounts Recognised in the Statement of Profit & Loss | | |
| | Current Service Cost | 4,767,720 | 8,132,725 |
| | Interest cost on Obligation | 492,366 | 1,154,545 |
| | Expected return on Plan Assets | - | - |
| | Net Actuarial (Gain) / Loss recognised in the year | (6,188,985) | 18,756,791 |
| | Past Service Cost - Vested Benefit recognised in the year | - | - |
| | Expenses recognized in Profit & Loss Account | (928,899) | 28,044,061 |
| e) | Actual return on Plan Assets | | |
| | Expected return on Plan Assets | 6,899,272 | 13,584,795 |
| | Actuarial Gain / (Loss) on Plan Assets | (636,955) | (693,242) |
| | Actual return on Plan Assets | 6,262,317 | 12,891,553 |
| f) | Actuarial Assumptions | | |
| | i) Discount Rate | 8.04% | 7.90% |
| | ii) Expected Rate of Return on Plan Assets | 8.04% | 7.90% |
| | iii) Salary Escalation Rate | 4.00% | 4.00% |
| | iv) Attrition Rate | 2.00% | 2.00% |
| | v) Mortality | | |
| | | Indian Assured Lives | Indian Assured Lives |
| | | Mortality (2006-08) | Mortality (2006-08) |
| | | Ultimate | Ultimate |

Above disclosures have been made on the basis of certificate received from the actuary.

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.

GOKAK TEXTILES LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016**

- 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.
- 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:

| | Six months ended March 31, 2016 | Year ended September 30, 2015 |
|--|------------------------------------|----------------------------------|
| | ₹ | ₹ |
| Net (Loss)/Profit after tax | (240,625,876) | (387,464,260) |
| Weighted average number of Equity Shares outstanding | 6,499,308 | 6,499,308 |
| Nominal Value of Share | 10 | 10 |
| Basic and Diluted Earnings per share | (37.02) | (59.62) |

- 38 Related Party Disclosures:

A Names of the related parties and description of relationship**I) Holding Company**

Shapoorji Pallonji & Company Private Limited
(Formerly known as Shapoorji Pallonji & Company Limited)

II) Fellow Subsidiaries

Forbes & Company Limited
Eureka Forbes Limited
Forval International Services Limited

III) Associates

Shapoorji Pallonji Infrastructure Capital Company Limited
Shapoorji Pallonji Energy (Gujarat) Private Limited
Shapoorji Pallonji & Company Limited

IV) Key Managerial Personnel

| | |
|---------------------|---|
| Mr. H. S. Bhaskar | Whole Time Director (Upto July 13, 2015) |
| Mr. Sachin Kulkarni | Whole Time Director (w.e.f. July 13, 2015) |
| Mr. Vikram Nagar | Chief Financial Officer (w.e.f. March 29, 2016) |
| | Whole Time Finance Director (w.e.f. May 16, 2016) |

GOKAK TEXTILES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

B Particulars of transaction with Related Parties

(Amount in ₹)

| Year Ended March 31, 2016 Year Ended September 30, 2015 | Holding Company | Fellow Subsidiaries | Associate Companies | Key Managerial Personnel | Total |
|--|--------------------|------------------------|------------------------|-----------------------------|-------------|
| Sales | - | 18,749 | - | - | 18,749 |
| Previous Year | 286,881 | 5,001 | - | - | 291,882 |
| Rent | - | 179,354 | - | - | 179,354 |
| Previous Year | - | 354,228 | - | - | 354,228 |
| Services Received | - | 611,921 | - | - | 611,921 |
| Previous Year | - | 1,482,965 | - | - | 1,482,965 |
| Remuneration | - | - | - | 1,851,438 | 1,851,438 |
| Previous Year | - | - | - | 5,230,548 | 5,230,548 |
| Preference shares issued | 200,000,000 | - | - | - | 200,000,000 |
| Previous Year | 200,000,000 | - | - | - | 200,000,000 |
| Borrowing | 185,100,000 | - | 136,600,000 | - | 321,700,000 |
| Previous Year | 365,800,000 | - | 28,500,000 | - | 394,300,000 |
| Interest paid | 19,071,621 | - | 2,095,836 | - | 21,167,457 |
| Previous Year | 10,330,521 | - | 2,768,644 | - | - |
| Reimbursement of Deposit | 209,000 | - | - | - | 209,000 |
| Previous Year | - | - | - | - | - |
| Expenses/Payments incurred on behalf | - | - | - | - | - |
| Previous Year | - | 68,536 | - | - | 68,536 |
| Receivables | 889,338 | 1,683,493 | - | - | 2,572,831 |
| Previous Year | 889,338 | 1,873,744 | - | - | 2,763,082 |
| Payables | 247,290,628 | 2,536,693 | 140,957,794 | 1,258,353 | 392,043,468 |
| Previous Year | 375,097,468 | 2,454,451 | 30,991,779 | 1,200,000 | 409,743,698 |

GOKAK TEXTILES LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016****C Details of Related Party Transactions**

(Amount in ₹)

| Nature Of Transaction | Six Months ended March 31, 2016 | Year ended September 30, 2015 | Nature Of Transaction | Six Months ended March 31, 2016 | Year ended September 30, 2015 |
|---|---------------------------------|-------------------------------|---|---------------------------------|-------------------------------|
| Sales | | | Directors Remuneration | | |
| Shapoorji Pallonji & Company Private Limited | - | 286,881 | Mr. H.S. Bhaskar | - | 4,453,613 |
| Forbes & Company Limited | 18,749 | 5,001 | Mr. Sachin Kulkarni | 1,825,785 | 776,935 |
| | | | Vikram Nagar | 25,653 | |
| Services Received | | | Preference shares issued | | |
| Forvol International Services Limited | 296,298 | 1,174,898 | Shapoorji Pallonji & Company Private Limited | 200,000,000 | 200,000,000 |
| Eureka Forbes Limited | 6,522 | 54,541 | | | |
| Forbes & Company Limited | 309,101 | 253,526 | Reimbursement of Deposit | | |
| Forbes & Company Limited | 179,354 | 354,228 | Forbes and Company Limited | 209,000 | - |
| Borrowings | | | Receivables | | |
| Shapoorji Pallonji & Company Private Limited | 185,100,000 | 365,800,000 | Shapoorji Pallonji & Company Private Limited | 889,338 | 889,338 |
| Shapoorji Pallonji Infrastructure Capital Company Limited | 136,600,000 | 28,500,000 | Eureka Forbes Limited | - | - |
| | | | Forbes & Company Limited | 1,683,493 | 1,873,744 |
| Borrowings repaid | | | Payables | | |
| Shapoorji Pallonji & Company Private Limited | 330,000,000 | - | Shapoorji Pallonji & Company Private Limited | 247,290,628 | 375,097,468 |
| | | | Shapoorji Pallonji Infrastructure Capital Company Limited | 140,957,794 | 30,991,779 |
| Interest paid | | | Eureka Forbes Limited | 35,750 | 35,750 |
| Shapoorji Pallonji & Company Private Limited | 19,071,621 | 10,330,521 | Forvol International Services Limited | 85,362 | 79,018 |
| Shapoorji Pallonji Infrastructure Capital Company Limited | 2,095,836 | 2,768,644 | Forbes & Company Limited | 2,415,581 | 2,339,683 |
| | | | Mr. H.S. Bhaskar | 1,200,000 | 1,200,000 |
| Expenses/Payments incurred on behalf | | | Sachin Kulkarni | 32,700 | - |
| Forbes & Company Limited | - | 68,536 | Vikram Nagar | 25,653 | - |

39 A section of workman (not supported by recognised union) of Mills division had gone on illegal flash strike with effect from March 9, 2016. In the interest of the safety of the workmen, raw materials, equipments, and other property of the Company, the Company in response to the illegal strike had declared a lockout on March 17, 2016 from 6.00 A.M. at its Mills division. Subsequent to this, the lockout at the Mills division had been lifted with effect from May 13, 2016.

40 The Company has reported the erosion of net worth under section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 to the Board of Industrial and Financial Reconstruction on March 18, 2016.

GOKAK TEXTILES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

C Details of Related Party Transactions

(Amount in ₹)

| Particulars | Six Months ended March 31, 2016 | | | Year ended September 30, 2015 | | |
|--|---------------------------------|---------------------|---------------|-------------------------------|---------------------|---------------|
| | Textile | Electricity & Power | Total | Textile | Electricity & Power | Total |
| Segment Revenue: | | | | | | |
| Total External Revenue | 1,046,656,037 | 10,823,268 | 1,057,479,305 | 3,301,509,013 | 54,651,272 | 3,356,160,285 |
| Inter Segment Revenue | 33,177 | 19,377,120 | 19,410,297 | - | 128,627,256 | 128,627,256 |
| Net turnover before Inter-Segment Eliminations | 1,046,689,214 | 30,200,388 | 1,076,889,602 | 3,301,509,013 | 183,278,528 | 3,484,787,541 |
| Less: Inter-Segment Elimination | (33,177) | (19,377,120) | (19,410,297) | - | (128,627,256) | (128,627,256) |
| Net Turnover | 1,046,656,037 | 10,823,268 | 1,057,479,305 | 3,301,509,013 | 54,651,272 | 3,356,160,285 |
| Segment Results: | | | | | | |
| Profit/(Loss) before Tax and Interest and before Inter-Segment Elimination | (137,944,439) | (6,321,141) | (144,265,580) | (275,291,495) | 106,206,044 | (169,085,451) |
| Less: Inter-Segment Elimination (Expense)/Income | (19,343,943) | (4,019,709) | (23,363,652) | (128,627,256) | 90,613,775 | (38,013,481) |
| Profit/(Loss) before Tax and Interest and after Inter-Segment Elimination | (118,600,496) | (2,301,432) | (120,901,928) | (146,664,239) | 15,592,269 | (131,071,970) |
| Add: Interest Expense (Net) | | 150,986,178 | | | 314,553,876 | |
| Add: Unallocated Expenses | - | | | - | | |
| Profit / (Loss) Before Tax | | (271,888,106) | | | (445,625,847) | |
| Taxes | | (19,539,713) | | | (11,722,722) | |
| Net Profit / (Loss) After Tax | | (252,348,393) | | | (433,903,124) | |
| Segment Assets: | | | | | | |
| Segment Assets | 1,685,569,612 | 376,125,512 | 2,061,695,124 | 1,812,978,197 | 394,346,045 | 2,207,324,242 |
| Unallocated Assets | 235,715,105 | | | 337,295,322 | | |
| Total Assets | 2,297,410,229 | | | 2,544,619,564 | | |
| Segment Liabilities: | | | | | | |
| Segment Liabilities | 1,138,512,917 | 147,755,164 | 1,286,268,081 | 1,757,784,023 | 36,458,784 | 1,794,242,807 |
| Unallocated Liabilities | | | 1,686,603,982 | | | 1,385,212,715 |
| Total Liabilities | | | 2,972,872,063 | | | 3,179,455,522 |
| Capital Employed: | | | | | | |
| Unallocated Capital & Reserves | | | (675,461,834) | | | (634,835,958) |
| Other Information: | | | | | | |
| Capital Expenditure | 511,158 | - | 511,158 | 646,520 | 13,343,812 | 13,990,332 |
| Depreciation | 35,488,978 | 5,204,275 | 40,693,253 | 75,940,463 | 10,357,343 | 86,297,806 |

Notes:

- 1) 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".
- 2) 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.
- 42 Additional Information as required under Schedule III to the Companies Act, 2013 of Enterprises consolidated as subsidiary.

| Name of the Enterprise | Net Assets (i.e. total assets minus total liabilities) | | Share in (Profit) / Loss | |
|--------------------------------|--|-----------------|---------------------------------|--------------|
| | As % of consolidated net assets | ₹ | As % of consolidated net assets | ₹ |
| Gokak Textiles Limited | -7% | 50,235,580 | 99% | 238,597,674 |
| Gokak Power and Energy Limited | -56% | 416,916,232 | 12% | 27,910,042 |
| Inter-Company Eliminations | 155% | (1,142,613,646) | -6% | (14,159,323) |
| Minority Interest | 9% | (64,020,522) | -5% | (11,722,519) |
| | 100% | (739,482,356) | 100% | 240,625,874 |

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

Financial Statements of
Gokak Power and Energy
Limited



DIRECTORS' REPORT

Dear Members,

Your Directors submit their Report and the Audited Financial Statements for the Financial Year ended March 31, 2016 covering a period of 6 months ending on the said date.

1. Financial summary / highlights of Performance :

The summarized financial performance of the Company are set out below :

(Rs. In Lakhs)

| | Particulars | For the year from 01.10.2015 to 31.03.2016 ended 31th March, 2016 | For the year from 01.10.2014 to 30.09.2015 ended 30th September,2015 |
|-----|--|---|--|
| (a) | Gross Revenue | 337.68 | 1910.79 |
| | Less: Costs | 79.54 | 287.02 |
| (b) | Balance | 258.14 | 1623.77 |
| | Less: Interest | 624.14 | 1172.07 |
| (c) | Cash Profit/(Loss) | (366.00) | 451.70 |
| | Less: Depreciation | 193.64 | 354.32 |
| (d) | Profit/(Loss) after depreciation carried to Balance Sheet | (559.64) | 97.38 |
| | Less : Deferred Tax Liability | (280.53) | 138.97 |
| (e) | Net Profit/ (Loss) | (279.10) | (41.59) |

2. Brief description of the Company's working during the year/State of Company's affair :

During the year under review, your Company has recorded gross income of Rs.337.68 lakhs and the Net loss after tax of Rs.279.10 lakhs. During the period overall flow of water from various sources (Dams, river and canal) was significantly lower as compare to previous period due to drought situation in Karnataka region. As a result of which, company lost generation of units which affected the revenue of the company substantially. Company has accounted Renewable Energy Certificate's on accrual basis.

3. Change of Financial Year :

The current financial statements have been drawn for the period of 6 months from 01st October 2015 to 31st March 2016. This change has been effected in order to align with the definition of Financial Year as per the provisions of section 2(41) of the Companies Act, 2013 and hence the previous year's figures that covered a period of full twelve months are not comparable. The Company will be revert to full twelve months accounting year from 01-04-2016 to 31-03-2017.

4. Shifting of Registered Office :

Registered Office of the Company was shifted from No.24, 29th Main, BTM Layout II Stage, Bangalore - 560 076 to #1, 2nd Floor Ideal Homes, Near Jayanna Circle, 12th Cross Rajarajeshwari Nagar, Bangalore- 560 098 with effect from February 2, 2016.

5. Share Capital, Dividend and Transfer to Reserves :

The Paid up Share Capital of the Company is Rs. 49.00 Crores and the Company has not issued any shares with differential voting rights or sweat equity. Due to loss sustained by the Company, your Directors do not recommend any dividend for the year and no amount has been transferred to the Reserves.

6. Material changes and commitments :

There were no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

7. Subsidiary Company/Joint venture/Associate :

Your Company does not have any subsidiary, joint venture or Associate Companies.

8. Deposits :

During the year under review, the Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

9. Board of Directors and Key Managerial Personnel :

The Board of Directors of the Company consists of persons with considerable professional experience and expertise. Presently, the Board consists of 5 Directors viz., one Executive Director and 4 Non-Executive Directors. Out of 4 Non-Executive Directors 2 Directors are Independent Directors.

Mr. Sachin Kulkarni, Whole time Director, has resigned from the services of the Company with effect from 16th May, 2016 Mr. Vikram V. Nagar has been appointed as an Additional Director and Subject to approval of the shareholders, Whole time Finance Director with effect from 21th June, 2016. The board condoles the sad demise of Mr. K. Ramananda Pai, Company Secretary of the Company.

Mr. C. G. Shah (DIN 00002358) is due to retire by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment as per the provision of section 152(6) of the Companies Act, 2013. The Board of Directors recommend his re-appointment as Director of the Company.

None of the Directors are disqualified from being appointed as Directors as specified in terms of Section 164 of the Companies Act, 2013.

10. Meetings and Attendance :**a) Board Meetings :**

During the period 1-10-2015 to 31-03-2016, three meetings of the Board of Directors were held viz 23rd November 2015, 05th February 2016 and 29th March 2016.

The names and categories of the Directors on the Board, the details of meetings held and attended during their tenure are as under:

| Sl. No. | Name of the Directors | Category | Number of Board Meetings during 1-10-2015 to 31-03-2016 | |
|---------|-------------------------|-------------------------------|---|----------|
| | | | Held | Attended |
| 1. | Mr. S. Mukundan | Non-Executive Chairman | 3 | 1 |
| 3. | Mr. Sachin Kulkarni@ | Executive - Managing Director | 3 | 3 |
| 4. | Mr. C. G. Shah | Non-Executive Non-Independent | 3 | 2 |
| 5. | Mr. Pradip N. Kapadia # | Non-Executive Independent | 3 | 3 |
| 6. | Mr. Kaiwan Kalyaniwalla | Non-Executive Independent | 3 | 3 |

@ Resigned with effect from 16.05.2016

b) Audit Committee Meetings:

The Company has an Audit Committee at the Board level which acts as a link between the Management and the Statutory and Internal Auditors and the Board of Directors. It interacts with statutory, internal auditors and cost auditors and reviews and recommends their appointment and remuneration. The Audit Committee is provided with necessary assistance and information so as to enable it to carry out its function effectively.

(i) Brief description of terms of reference :

The scope of the functioning of the Audit Committee is to review, from time to time, the audit and internal control procedures, the accounting policies of the Company, oversight of the Company's financial reporting process so also to ensure that the financial statements are correct, sufficient and credible and it performs such other functions and role and exercises the powers as are recommended from time to time under the Companies Act, 2013.



Audit Committee mandatorily reviews the following information:

- a. Company's financial reporting process, Quarterly and Annual financial statements and financial/risk management policies.
- b. Statement of significant related party transactions
- c. Management letters/letters of internal control weakness, if any, issued by the statutory auditors
- d. Adequacy of the internal control systems and functioning of the Internal Audit team
- e. Appointment, removal and terms of remuneration of the Auditors.

The Managing Director is the permanent invitees to the Audit Committee Meetings.

The Statutory Auditors and Internal Auditors of the Company are also invited to the Audit Committee Meetings. Discussions with the Management are held and the Statutory Auditors, the audit plan for the financial year and a joint post-audit review of the same.

(ii) Composition of the Committee :

The Audit Committee comprises of 3 Directors, out of which 2 directors are Independent Directors. The Chairman of the Audit Committee is an Independent Director. All the Members of the Committee have relevant expertise in accounting and financial Management.

In addition to quarterly meetings for consideration of financial results, special meetings of the Audit Committee are also convened.

The Company places all the relevant details before the Audit Committee periodically.

During the year under review, the 3 (Three) meetings were held on 23rd November 2015, 05th February 2016 and 29th March 2016. The gap between two consecutive Audit Committee Meetings was not more than 120 days.

(iii) The Composition, name of Members and Chairperson and Attendance during the year/Meeting held is as under:

| SL. No | Name | Category | No. of AC Meetings held | No. of AC Meetings attended |
|--------|-------------------------|-------------------------------|-------------------------|-----------------------------|
| 1. | Mr. Kaiwan Kalyaniwalla | Non-Executive Independent | 3 | 3 |
| 2. | Mr. C. G. Shah | Non-Executive Non-Independent | 3 | 2 |
| 3. | Mr. Pradip N. Kapadia# | Non-Executive Independent | 3 | 3 |

Late Mr. K Ramananda Pai, Company Secretary acted as the Secretary to the Audit Committee till 05th February 2016.

c. Nomination and Remuneration Committee Meeting:

The Nomination and Remuneration Committee is responsible for determining the compensation payable to Directors, Managing Director and the Senior Management Personnel, based on industry practices and performance of individuals.

(i) Brief description of terms of reference:

- 1. Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommending to the Board their appointment and removal.
- 2. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- 3. Formulating the criteria for evaluation of Independent Directors and the Board as a whole.
- 4. Devising a policy on Board diversity.
- 5. Approving the remuneration after taking into account financial position of the Company, trend in the industry, qualification, experience and past performance of the appointee.
- 6. Reviewing and determining all elements of remuneration package striking the balance between the interest of the Company and the shareholders

7. All information about the Directors/Managing Director/Whole time Directors/Key Managerial Personnel i.e. background details, past remuneration, recognition or awards, job profile etc., shall be considered and disclosed to shareholders, wherever required.

(i) Composition of the Committee :

The Nomination and Remuneration Committee comprises of 3 Non-executive Directors, out of which 2 directors are Independent Directors..

(iii) Meeting and attendance:

During the year under review, One Meeting was held on 29.03.2016. Composition, name of Members and Chairman and Attendance during the year/Meeting held is as under:

| SL.No | Name | Description | Category | No. of AC Meetings held | No. of AC Meetings attended |
|-------|-------------------------|-------------|-------------------------------|-------------------------|-----------------------------|
| 1. | Mr. Kaiwan Kalyaniwalla | Chairman | Non-Executive Independent | 1 | 1 |
| 2. | Mr. C. G. Shah | Member | Non-Executive Non-Independent | 1 | - |
| 3. | Mr. Pradip N. Kapadia | Member | Non-Executive Independent | 1 | 1 |

11. Declaration by Independent Directors :

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of Independence as prescribed under Section 149(6) of the Companies Act, 2013. Independent Directors are familiarized with their roles, rights and responsibilities in the Company through presentation made to them from time to time.

12. Particulars of Employees:

During the year 2015-16, the Company has not employed anyone with a remuneration in excess of the limits specified Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

13. Auditors and Auditors Report :

During 3rd Annual General Meeting held on 29th December, 2014, Messrs. Murugesh & Company, Chartered Accountants had been appointed as Statutory Auditors upto the 6th Annual General Meeting to be held in the year 2017 subject to ratification of their appointment by the Members at every Annual General Meeting. The ratification of appointment of Auditors by the shareholders is sought at the ensuing Annual General Meeting. The Auditors' Report does not contain any qualification. Murgesh & Company have, under section 139(1) of the Companies Act, 2013 and Rules Framed thereunder, furnished a Certificate of their consent and eligibility for appointment.

14. Particulars of loans, guarantees or investments under section 186:

Particulars of Loans, Guarantees or Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

15. Particulars of contracts or arrangements with related parties:

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business.

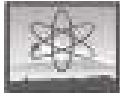
During the year under review, there were no materially significant related party transactions with the Promoter, Directors, Key Managerial Personnel or the Designated Persons which may have a potential conflict with the interest of Company at large except power sale to holding company for captive consumption and sale.

All related party transactions are approved by the Audit Committee.

The particulars of contracts or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 has been disclosed in Form No. AOC-2 as Annexure I to this report.

16. Extract of Annual Return:

As required pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT9 is forming a part of this Annual Report as Annexure II.



17. Statutory Disclosures :

There are no significant and material orders passed by the regulators or courts or tribunals which would impact the going concern status and Company's operations in future.

18. Obligation of company under the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013 :

The Company has adopted a policy as per the provisions of Sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules made thereunder for prevention, prohibition and redressal of complaints of sexual harassment at workplace.

During the year under review, no complaints on sexual harassment were received.

19. Conservation of energy, technology absorption and foreign exchange earnings and outgo :

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

a) Conservation of energy :

| | | |
|-------|--|--|
| (i) | the steps taken or impact on conservation of energy | A. Water and oil leakages identified and attended which in turn resulted higher efficiency of pump operation. B. Timers to be fixed for Switching ON/OFF lightening for inside and outside powerhouse. C. Ventilation and Exhaust fan operation to be controlled as per required temperature by utilising temperature controller to save auxiliary energy consumption. |
| (ii) | the steps taken by the company for utilizing alternate sources of energy | Not applicable as there is own Hydro-Generation. |
| (iii) | the capital investment on energy conservation equipment's | Nil |

(b) Technology absorption :

| | | |
|-------|--|-----|
| (i) | the efforts made towards technology absorption | Nil |
| (ii) | the benefits derived like product improvement, cost reduction, product development or import substitution | Nil |
| (iii) | in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) | Nil |
| | (a) the details of technology imported | Nil |
| | (b) the year of import; | Nil |
| | (c) whether the technology been fully absorbed | Nil |
| | (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof and future plan of action | Nil |
| (iv) | the expenditure incurred on Research and Development | Nil |
| | a) Foreign exchange earnings and Outgo : | Nil |

20. Human Resources :

Your Company treats its "human resources" as one of its most important assets.

Your Company continuously invest in attraction, retention and development of talent on an ongoing basis. A number of programs that provide focused people attention are currently underway. Your Company thrust is on the promotion of talent internally through job rotation and job enlargement.

21. Directors' Responsibility Statement :

Pursuant to the provisions of Section 134(3)(c) and 134(5) of the Companies Act, 2013 and based on the representations received from the operating management, the Directors hereby confirm :-

- a. that in the preparation of the annual accounts for the financial year from 01.10.2015 to 31.03.2016 the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b. that 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. 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 Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that they have prepared the annual accounts for the financial year from 01.10.2015 to 31.03.2016 on a 'going concern' basis
- e. that they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively and
- f. that they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

22. Outlook :

Through efficient maintenance & management, company is been putting its all efforts to maximize the generation.

Taking the advantage of lower rainfall & lower usage of generators, major replacement / repair work is been undertaken. If good rainfall prevails next year, this work will give advantage during next season.

In addition to 2 hydro projects, feasibility studies are undertaken for Solar, Wind Power generation. Conclusion is expected in next 6 months.

23. Acknowledgments :

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

S. Mukundan
Chairman

Place : Mumbai,

Date : June 21, 2016

Registered Office:

#1, 2nd Floor, Ideal Homes,

Near Jayanna Circle,

12th Cross Rajarajeshwari Nagar,

Bangalore- 560 098



Form AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8 (2)
of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/ arrangements entered into by the Company with related parties referred to in subsection (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

| | | |
|----|--|--|
| 1. | Details of contracts / arrangements or transactions not at arm's length basis | NIL |
| 2. | Details of material contracts / arrangements or transactions at arm's length basis | 01-Oct-2015 to 31-Mar-2016 |
| | a. Name of related party and nature of relationship | Gokak Textiles Limited (Holding Company) |
| | b. Nature of contracts / arrangements /transactions | Agreement for transfer of power between Gokak Power & Energy Limited and Gokak Textiles Limited, Holding Company captive user for consumption. |
| | c. Duration of contracts / arrangements/ transactions | 20 years w.e.f. 27.09.2012 |
| | d. Salient terms of the contracts / arrangements/ transactions including Value, if any | Captive user agrees to pay Rs. 3.65 for every unit of power transferred, subject to conditions laid out in the agreement |
| | e. Dates of Approval by the Board, if any | 22.05.2012 |
| | f. Amount paid as advance, if any | Security Deposit - Rupees One Crore |

For and on behalf of the Board of Directors

S. Mukundan
Chairman

Place : Mumbai

Date : June 21, 2016

Form No.MGT-9
EXTRACT OF ANNUAL REPORT

As at March 31, 2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

1. REGISTRATION AND OTHER DETAILS

| | | |
|----|---|--|
| 1. | CIN | U40103KA2012PLC062107 |
| 2. | Date of Incorporation | 27.03.2012 |
| 3. | Name of the Company | Gokak Power & Energy Limited |
| 4. | Category | Company Limited by Shares |
| 5. | Sub-Category of the Company | Indian Non-Government Company |
| 6. | Address of the Registered Office | # 1, 2nd Floor, Ideal Homes, Near Jayanna Circle, 12th Cross, Rajarajeshwari Nagar, Bangalore- 560 098 |
| 7. | Whether Listed or not | No |
| 8. | Name, Address and Contact details of the Registrar and Transfer Agent, if any | No |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the Business Activities contributing 10% or more of the total turnover of the Company shall be stated:

| Sl. No. | Name/Description of Main Products/Services | NIC Code of Product/Service | % to Total Turnover of the Company |
|---------|--|-----------------------------|------------------------------------|
| 1 | Hydro Electric Power | 35101 | 100% |

III. PARTICULARS OF HOLDING SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl. No. | Name AND Address of the Company | CIN/GLN | Holding / Subsidiary /Associate | % of Shares Held | Applicable Section |
|---------|---------------------------------|-----------------------|---------------------------------|------------------|--------------------|
| 1 | Gokak Textiles Limited | L17116KA2006PLC038839 | Holding | 51% | 2 (87) |



IV) Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

| | Category of Shareholders | No. of Shares held at the beginning of the year .i.e 01.10.2015 | | | | No. of Shares held at the end of the year .i.e 31.03.2016 | | | | % Change during the year |
|------------|---|---|-------------------|-------------------|-------------------|---|-------------------|-------------------|-------------------|--------------------------|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| (1) | A. Promoters | | | | | | | | | |
| (a) | Individuals / Hindu Undivided Family | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Central Government / State Governments(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Bodies Corporate | 0 | 24,989,940 | 24,989,940 | 51.00 | 0 | 24,989,940 | 24,989,940 | 51.00 | 0.00 |
| (d) | Financial Institutions / Banks | 0 | 0 | | 0.00 | 0 | 0 | | 0.00 | 0.00 |
| (e) | Any Other (Specify) | 0 | 0 | | 0.00 | 0 | 0 | | 0.00 | 0.00 |
| | Sub-Total (A) (1) | 0 | 24,989,940 | 24,989,940 | 51.00 | 0 | 24,989,940 | 24,989,940 | 51.00 | 0.00 |
| (2) | Foreign | | | | | | | | | |
| (a) | Individuals (Non-Resident Individuals / Foreign Individuals) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Bodies Corporate | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Institutions | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (e) | Any Other (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | Sub-Total (A) (2) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | Total Shareholding of Promoter and Promoter Group (A) | 0 | 24,989,940 | 24,989,940 | 51.00 | 0 | 24,989,940 | 24,989,940 | 51.00 | 0.00 |
| (B) | Public Shareholding | | | | | | | | | |
| (1) | Institutions | | | | | | | | | |
| (a) | Mutual Funds / UTI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| (b) | Financial Institutions / Banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Central Government / State Governments(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (e) | Insurance Companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| (f) | Foreign Institutional Investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| (g) | Foreign Venture Capital Investors | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (h) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (i) | Foreign Portfolio Investors (Corporate) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| | Sub-Total (B) (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 |
| (2) | Non-Institutions | | | | | | | | | |
| (a) | Bodies Corporate | 0 | 24,010,000 | 24,010,000 | 49.00 | 0 | 24,010,000 | 24,010,000 | 49.00 | 0.00 |
| (b) | Individuals - | | | | | | | | | |
| i | Individual shareholders holding nominal share capital upto Rs.1 lakh | 0 | 60 | 60 | 0.00 | 0 | 60 | 60 | 0.00 | 0.00 |
| ii | Individual shareholders holding nominal share capital in excess of Rs. 1 lakh | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (c) | Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (d) | Any Other | | | | | | | | | |
| (i) | Trust | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| (ii) | Directors & their relatives | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0.00 |
| (iii) | OCBs/Foreign Cos | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | Sub-total (B) (2) | 0 | 24,010,000 | 24,010,000 | 49.00 | 0 | 24,010,000 | 24,010,000 | 49.00 | 0.00 |
| | Total Public Shareholding (B) = (B)(1)+(B)(2) | 24,010,000 | 60 | 24,010,060 | 49.00 | 24,010,060 | 60 | 24,010,060 | 49.00 | 0.00 |
| | TOTAL (A)+(B) | 48,999,940 | 60 | 49,000,000 | 100.00 | 48,999,940 | 60 | 49,000,000 | 100.0 | 0.00 |

| ii) Shareholding pattern of Promoter- | | | | | | | | | |
|--|---|--|----------------------------------|--|--|---|--|--|----------------------------------|
| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year 01.10.2015 | | | Shareholding at the end of the year 31.03.2016 | | | % change in shareholding during the year | |
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged/encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged/encumbered to total shares | | |
| 1. | Gokak Textiles Limited | 2,49,90,000 | 51% | - | 2,49,90,000 | 51% | - | - | |
| 2. | Shapoorji Pallonji Infrastructure Capital Company Ltd., | 2,40,10,000 | 49% | - | 2,40,10,000 | 49% | - | - | |
| | Total | 4,90,00,000 | 100% | - | 4,90,00,000 | 100% | - | - | |
| iii) Change in Promoter's Shareholding (please specify, if there is no change) | | | | | | | | | |
| Sl. No. | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | | | | | |
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company | | | | |
| 1 | At the beginning of the year | There is no change in Promoters' Shareholding between 01.10.2015 to 31.03.2016 | | | | | | | |
| 2 | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | | | | | | | | |
| 3 | At the end of the year | | | | | | | | |
| IV) Shareholding of Top 10 Shareholders(other than Directors, Promoters and holders of GDR's and ADR's) | | | | | | | | | |
| | Name of the ShareHolder | Shareholding at the beginning of the year as on 01.10.2015 | | Date | Reason | Purchase of Shares/Decrease in Shareholding | | Commulative Shareholding during the year | |
| | | No of Shares | % of total Shares of the Company | | | No of Shares | % of total shares of the company | No. of Shares | % of total Shares of the company |
| 1 | Shapoorji Poallonji Infrastructure Capital Company Limited | 24,010,000 | 49.00 | | | | | | 24,010,000 49.00 |
| | | | | | No Change | 0 | | 0.00 | 24,010,000 49.00 |
| | | | | 31.03.2016 | At the end of the year | - | - | - | 24,010,000 49.00 |
| 2 | Shapoor P. Mistry JT1 Gokak Textiles Ltd | 10 | 0.00 | | | | | | 10 0.00 |
| | | | | 31.03.2016 | No Change At the end of the year | 0 | 0.00 | 10 | 0.00 |
| | | | | | | - | - | 10 | 0.00 |
| 3 | Sachin Kulkarni JT1 Gokak Textiles Ltd | 10 | 0.00 | | | | | | 10 0.00 |
| | | | | 23.11.2016 | No Change | 10 | 0.00 | 10 | 0.00 |
| | | | | 31.03.2016 | At the end of the year | - | - | 10 | 0.00 |
| 4 | MukundanSrinivasan JT1 Gokak Textiles Ltd | 10 | 0.00 | | | | | | 10 0.00 |
| | | | | 31.03.2016 | No Change At the end of the year | 0 | 0.00 | 10 | 0.00 |
| | | | | | | - | - | 10 | 0.00 |
| 5 | FirozekavshahBhatehna JT1 Gokak Textiles Ltd | 10 | 0.00 | | | | | | 10 0.00 |
| | | | | 31.03.2016 | No Change At the end of the year | 0 | 0.00 | 10 | 0.00 |
| | | | | | | - | - | 10 | 0.00 |
| 6 | Vasant Narayan Sanzgiri JT1 Gokak Textiles Ltd | 10 | 0.00 | | | | | | 10 0.00 |
| | | | | 31.03.2016 | No Change At the end of the year | 0 | 0.00 | 10 | 0.00 |
| | | | | | | - | - | 10 | 0.00 |



Gokak Power & Energy Limited

| | | | | | | | | | |
|----|---|---|------|------------|------------------------|---|------|---|------|
| 7 | Rahul Adeshwar Jain JT1 Gokak Textiles Ltd | 7 | 0.00 | | | | | 7 | 0.00 |
| | | | | - | No Change | 0 | 0.00 | 7 | 0.00 |
| | | | | 31.03.2016 | At the end of the year | - | - | 7 | 0.00 |
| 8 | Mohan Ketkar JT1 Gokak Textiles Ltd | 1 | 0.00 | | | | | 1 | 0.00 |
| | | | | 23.11.2015 | Transfer | 1 | 0.00 | 1 | 0.00 |
| | | | | 31.03.2016 | At the end of the year | - | - | 1 | 0.00 |
| 9 | K S Ballal JT1 Gokak Textiles Ltd | 1 | 0.00 | | | | | 1 | 0.00 |
| | | | | 23.11.2015 | No Change | 1 | 0.00 | 1 | 0.00 |
| | | | | 31.03.2016 | At the end of the year | - | - | 1 | 0.00 |
| 10 | Ramananda Pai JT1 Gokak Textiles Ltd | 1 | 0.00 | | | | | 1 | 0.00 |
| | | | | 23.11.2015 | No Change | 1 | 0.00 | 1 | 0.00 |
| | | | | 31.03.2016 | At the end of the year | - | - | 1 | 0.00 |

v) Shareholding of Directors and Key Managerial Personnel:

| Sl. No. | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| 1 | At the beginning of the year | | | | |
| | Mukundan Srinivasan - JT 1 Gokak Textiles Ltd. Ramananda Pai - JT 1 Gokak Textiles Ltd. | 10 1 | - - | 10 1 | - - |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): Sachin Kulkarni - JT1 Gokak Textiles Ltd.(Transfer) | 10 | - | 10 | - |
| 3 | At the end of the year | | | | |
| | Mukundan Srinivasan - JT 1 Gokak Textiles Ltd. Ramananda Pai - JT 1 Gokak Textiles Ltd. | 10 1 | - - | 10 1 | - - |
| | Sachin Kulkarni - JT1 Gokak Textiles Ltd.(Transfer) | 10 | - | 10 | - |

V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|-------------------------------------|--------------------|----------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i. Principal Amount | 72.52 | 3.10 | - | 75.62 |
| ii. Interest due but not paid | - | - | - | - |
| iii. Interest accrued but not due | 0.40 | - | - | 0.40 |
| iv. Premium accrued but not due on NCD | - | - | - | - |
| v. Credit Card Utilisation | - | - | - | - |
| Total (i+ii+iii+iv+v) | 72.92 | 3.10 | - | 76.02 |
| Change in Indebtedness during the financial year | | | | |
| * Addition | - | 11.00 | - | 11.00 |
| * Reduction | 3.26 | - | - | 3.26 |
| Net Change | 3.26 | 11.00 | - | 7.74 |
| Indebtedness at the end of the financial year | | | | |
| i. Principal Amount | 69.26 | 14.10 | - | 83.36 |
| ii. Interest due but not paid | - | - | - | - |
| iii. Interest accrued but not due | 0.40 | - | - | 0.40 |
| iv. Premium accrued but not due on NCD | - | - | - | - |
| v. Credit Card Utilisation | - | - | - | - |
| Total (i+ii+iii+iv+v) | 69.66 | 14.10 | - | 83.76 |

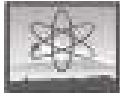
VI. REMUNERATION TO OTHER DIRECTOR

In Rupees

| Sl. No. | Particulars of Remuneration | Fees for attending Board/ Committee Meetings | Commission | Others please specify | Total |
|---------|-----------------------------|--|------------|-----------------------|---------------|
| 1 | Mr. S. Mukundan | 20000 | - | - | 20000 |
| 2 | Mr. Sachin Kulkarni | - | - | - | - |
| 3 | Mr. C. G. Shah | 40000 | - | - | 40000 |
| 4 | Mr. Pradip N. Kapadia | 60000 | - | - | 60000 |
| 5 | Mr. Kaiwan Kalyaniwala | 60000 | - | - | 60000 |
| | Total (1) | 180000 | - | - | 180000 |

VII. PENALTIES / PUNISHMENTS/COMPOUNDING OF OFFENCES

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding/ Fees imposed | Authority [RD/NCLT/ COURT] | Appeal made, if any |
|-----------|--|-------------------|--|----------------------------|---------------------|
| A. | Company Penalty Punishment Compounding | | None and Not Applicable | | |
| B. | Directors Penalty Punishment Compounding | | None and Not Applicable | | |
| C. | Other Officers in Default Penalty Punishment Compounding | | None and Not Applicable | | |



INDEPENDENT AUDITORS' REPORT

To the Members of GOKAK POWER & ENERGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of GOKAK POWER & ENERGY LIMITED ('the company'), which comprise the Balance Sheet as at 31st March 2016, the Statement of Profit and Loss and 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

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 the 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 financial controls relevant to the Company's preparation of the financial statements that give 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 Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state affairs of the company as at March 2016 and its loss and its 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, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the Statement of Profit and Loss & Cash Flow Statement dealt with by this Report are in agreement with the books of account.

- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31 March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of the such controls, refer to our separate report in 'Annexure B'; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of Companies (Audit & Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanations given to us:
 - I. The Company did not have any pending litigations on its financial position in its the financial statements;
 - II. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - III. There has been no delay in transferring amounts, required to be transferred, to Investor Education and Protection Fund by the company.

For MURUGESH & CO.,

Chartered Accountants

Firm Reg No. 002233S

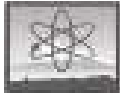
H. B. M. Muruges

Proprietor

Membership No. 020497

Place: Bangalore

Date: June 21, 2016



ANNEXURE 'A' TO THE AUDITORS' REPORT

The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 March 2016, we report that:

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The company has a program for physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this program, certain fixed assets were verified during the years and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
 - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. Physical verification of the finished goods, stores, spare parts and raw materials has been conducted by the management at reasonable intervals, except in respect of stocks lying with third parties for which certificates have been obtained. The discrepancies noticed on physical verification of stocks as compared to book records, were not material and have been properly dealt with in the books of account.
- (iii) Company has not granted any unsecured loans to the parties covered in the register maintained u/s 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the products of the Company.
- (vii)
 - (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of accounts in respect of undisputed statutory dues including provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us, there are no material dues of duty, which have not been deposited with the appropriate authorities on account of any dispute.
- (viii) Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to banks. According to records of the company, the company has not issued debentures till 31st March, 2016. Company is regular in repayment of dues to banks.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). According to the information and explanations given to us and on the basis of examination of records of the company, term loans were applied for the purpose for which the loans were obtained.
- (x) According to the information and explanations given to us, no material fraud by the Company by its officers or employees has been noticed or reported during the course of audit.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with

the related parties are in compliance with section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For MURUGESH & CO.,

Chartered Accountants

Firm Reg No. 002233S

H. B. M. Murugesh

Proprietor

Membership No. 020497

Place: Bangalore

Date: June 21, 2016



ANNEXURE 'B' TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of section 143 of Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of Gokak Power & Energy Limited ('the Company') as of 31 March 2016 in conjunction with our audit of financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal financial Controls over Financial reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information, as required under the Companies act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the 'Guidance Note') and the standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting and their operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial control system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting policies, and that receipts and expenditures of the Company are being made only in accordance with authorization of the management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitation of Internal Financial Control over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatement due to errors or fraud may occur and not be detected. Also, projection of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Chartered Accountants of India.

For MURUGESH & CO.,
Chartered Accountants
Firm Reg No. 002233S
H. B. M. Muruges
Proprietor
Membership No. 020497

Place : Bangalore
Date : June 21, 2016

GOKAK POWER & ENERGY LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2016

| Particulars | Note | March 31, 2016 ₹ | September 30, 2015 ₹ |
|-----------------------------------|------|-----------------------|-------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share Capital | 4 | 49,00,00,000 | 49,00,00,000 |
| (b) Reserves and Surplus | 5 | (7,30,83,768) | (4,51,73,726) |
| | | 41,69,16,232 | 44,48,26,274 |
| 2 Non-current liabilities | | | |
| (a) Long Term Borrowings | 6 | 61,82,00,000 | 65,54,00,000 |
| (b) Other Long Term Liabilities | 7 | 1,00,00,000 | 1,00,00,000 |
| (c) Long Term Provisions | 8 | 19,63,888 | 21,34,997 |
| | | 63,01,63,888 | 66,75,34,997 |
| 3 Current liabilities | | | |
| (a) Short Term Borrowings | 9 | 14,09,57,794 | 3,09,91,779 |
| (b) Trade payables | | - | - |
| (c) Short-Term Provisions | 10 | 3,32,810 | 3,26,027 |
| (d) Other Current Liabilities | 11 | 19,70,40,722 | 18,79,54,600 |
| | | 33,83,31,326 | 21,92,72,406 |
| TOTAL | | 1,38,54,11,448 | 1,33,16,33,677 |
| II. ASSETS | | | |
| 1 Non-current assets | | | |
| (a) Fixed Assets | | | |
| Tangible assets | 12 | 1,12,13,80,507 | 1,14,07,44,103 |
| Intangible assets | | - | - |
| Capital Work in Progress | | 22,36,056 | 22,36,056 |
| | | 1,12,36,16,563 | 1,14,29,80,159 |
| (b) Deferred Tax Asset (Net) | 13 | 3,29,98,350 | 49,44,757 |
| (c) Long-Term Loans And Advances | 14 | 51,03,087 | 51,03,087 |
| | | 1,16,17,18,000 | 1,15,30,28,004 |
| 2 Current assets | | | |
| (a) Inventories | 15 | 17,82,640 | 15,71,118 |
| (b) Trade Receivables | 16 | 12,44,539 | 32,47,327 |
| (c) Cash and Bank Balances | 17 | 14,24,91,373 | 8,37,23,021 |
| (d) Short Term Loans and Advances | 17 | 29,25,307 | 15,03,405 |
| (e) Other Current Assets | 18 | 7,52,49,588 | 8,85,60,804 |
| | | 22,36,93,448 | 17,86,05,672 |
| TOTAL | | 1,38,54,11,448 | 1,33,16,33,677 |

The notes are an integral part of the these financial statements
As per our report of even date

For MURUGESH & CO.,
Chartered Accountants
Firm Reg No. 002233S

H B M MURUGESH
Proprietor
Membership No. 020497

Place: Bangalore
Date: June 21, 2016

For GOKAK POWER & ENERGY LIMITED

Mukundan Srinivasan
Chairman
(DIN: 00276429)

Vikram Nagar
Finance Director
(DIN: 07526281)

C G Shah
Director
(DIN: 00002358)

Kaiwan Kalyaniwalla
Director
(DIN: 00060776)

Pradip N Kapadia
Director
(DIN: 00078673)



Gokak Power & Energy Limited

GOKAK POWER & ENERGY LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

| Particulars | Note | March 31, 2016 ₹ | September 30, 2015 ₹ |
|--|------|----------------------|-------------------------|
| REVENUE | | | |
| Revenue from operations | 19 | 2,17,41,888 | 13,23,18,780 |
| Other Operating Income | 19 | - | 3,49,748 |
| Other Income | 16 | 1,20,25,873 | 5,84,10,948 |
| TOTAL REVENUE | | 3,37,67,761 | 19,10,79,476 |
| EXPENSES | | | |
| Cost of Raw Materials Consumed | | - | - |
| Employee Benefit Expenses | 20 | 24,23,216 | 77,63,402 |
| Other expenses | 21 | 55,30,386 | 2,09,38,258 |
| Depreciation | 12 | 1,93,63,596 | 3,54,32,258 |
| Finance Costs | 22 | 6,24,14,198 | 11,72,07,370 |
| TOTAL EXPENSES | | 8,97,31,396 | 18,13,41,289 |
| Profit \ (Loss) before tax | | (5,59,63,635) | 97,38,187 |
| Tax expense : | | | |
| Current tax | | | |
| Income tax expense for the year | | - | 51,03,087 |
| MAT Credit entitlement | | - | (51,03,087) |
| Deferred tax Liability/(Asset) | | (2,80,53,593) | 1,38,97,607 |
| Profit \ (Loss) for the period | | (2,79,10,042) | (41,59,420) |
| Earnings per share (in Rs) (Basic and Diluted) | | (0.57) | (0.08) |

The notes are an integral part of the these financial statements
As per our report of even date

For MURUGESH & CO.,

Chartered Accountants
Firm Reg No. 002233S

H B M MURUGESH

Proprietor
Membership No. 020497

Place: Bangalore
Date: June 21, 2016

For GOKAK POWER & ENERGY LIMITED

Mukundan Srinivasan
Chairman
(DIN: 00276429)

Vikram Nagar
Finance Director
(DIN: 07526281)

C G Shah
Director
(DIN: 00002358)

Kaiwan Kalyaniwalla
Director
(DIN: 00060776)

Pradip N Kapadia
Director
(DIN: 00078673)

GOKAK POWER & ENERGY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2016

| Particulars | Year ended March 31, 2016 ₹ | Year ended September 30, 2015 ₹ |
|--|-----------------------------------|---------------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Profit \ (Loss) before tax for the year | (5,59,63,635) | 97,38,187 |
| Adjustments for: | | |
| Depreciation expenses | 1,93,63,596 | 3,54,32,258 |
| Finance Cost | 6,24,14,198 | 11,72,07,370 |
| Interest & Dividend Income | (35,67,373) | (77,38,448) |
| Cash Generated from operations before working capital changes | 2,22,46,786 | 15,46,39,368 |
| Adjustments for: | | |
| (Increase)/decrease in trade receivables | 20,02,787 | (9,42,855) |
| (Increase)/decrease in inventories | (2,11,523) | (5,99,354) |
| (Increase)/decrease in Other Current Assets | 1,18,89,313 | (3,02,78,054) |
| Increase / (Decrease) in Long Term Provision | (1,71,109) | 2,87,758 |
| Increase / (Decrease) in Short Term Provision | 6,783 | (14,52,872) |
| Increase / (Decrease) in other Current Liabilities | 90,86,123 | 4,13,33,317 |
| Cash generated from operations | 4,48,49,161 | 16,29,87,308 |
| Taxes paid (net of refunds) | - | (51,03,087) |
| Net cash generated from operating activities - [A] | 4,48,49,161 | 15,78,84,221 |
| B. Cash Flow from Investing Activities : | | |
| Purchase of tangible assets | - | (59,88,570) |
| Interest received | 35,67,373 | 77,38,448 |
| Net cash flow from/ (used in) investing activities [B] | 35,67,373 | 17,49,878 |
| C. Cash Flow from Financing Activities : | | |
| Finance Cost (Excl Exchange Loss) | (6,24,14,198) | (11,72,07,370) |
| Repayment of Long-term borrowings | (3,72,00,001) | (6,97,50,001) |
| Proceeds from short term borrowings | 10,99,66,015 | 3,09,91,779 |
| Net cash flow from/ (used in) financing activities [C] | 1,03,51,817 | (15,59,65,592) |
| Net increase/ (decrease) in cash and cash equivalents [D]= [A]+[B]+[C] | 5,87,68,350 | 36,68,507 |
| Cash and cash equivalents as at beginning [E] | 8,37,23,018 | 8,00,54,511 |
| Cash and cash equivalents as at closing [D]+[E] | 14,24,91,371 | 8,37,23,018 |

Notes :

- The above Cash Flow Statement has been prepared under the 'Indirect Method' asset out in the Accounting Standard 3(AS-3), "Cash Flow Statements".
- Cash comprises cash on hand, Current Accounts and deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid in vestments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

The notes are an integral part of the these financial statements
As per our report of even date

For GOKAK POWER & ENERGY LIMITED

For MURUGESH & CO.,
Chartered Accountants
Firm Reg No. 002233S

Mukundan Srinivasan
Chairman
(DIN: 00276429)

Vikram Nagar
Finance Director
(DIN: 07526281)

C G Shah
Director
(DIN: 00002358)

HBM MURUGESH
Proprietor
Membership No. 020497

Kaiwan Kalyaniwalla
Director
(DIN: 00060776)

Pradip N Kapadia
Director
(DIN: 00078673)

Place: Bangalore
Date: June 21, 2016



GOKAK POWER & ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016

1 Corporate Information

Gokak Power and Energy Limited is public company incorporated on 17th January 2012 under the provisions of Company's Act. 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 specified under section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and other relevant provisions of the Companies Act, 2013. 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 a pro-rata basis on the straight line method at the rates prescribed under Schedule II to the Companies Act, 2013.

(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 :

Income from Power Generation: Sales are accounted for on transmission of power to the customers and are net of taxes.

Income from Power Incentive: Revenue from Renewable Energy Certificates is recognised on accrual basis.

(g) Operating expenses :

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

(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

GOKAK POWER & ENERGY LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016

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) 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.

(l) 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.

(m) 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.

**GOKAK POWER & ENERGY LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016****4 Share Capital**

| Particulars | March 31, 2016 | | September 30, 2015 | |
|--|--------------------|---------------------|--------------------|---------------------|
| | Number | ₹ | Number | ₹ |
| Authorised : Equity Shares of ₹ 10 each | 5,00,00,000 | 50,00,00,000 | 50,00,00,000 | 50,00,00,000 |
| Issued, Subscribed and Paid up : Equity Shares of ₹ 10 each fully paid | 4,90,00,000 | 49,00,00,000 | 4,90,00,000 | 49,00,00,000 |
| Total | 4,90,00,000 | 49,00,00,000 | 4,90,00,000 | 49,00,00,000 |

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

| Particulars | March 31, 2016 | | September 30, 2015 | |
|---|--------------------|---------------------|--------------------|---------------------|
| | Number | ₹ | Number | ₹ |
| Shares outstanding at the beginning of the year | 4,90,00,000 | 49,00,00,000 | 4,90,00,000 | 49,00,00,000 |
| Add: Shares Issued during the year | - | - | - | - |
| Less :Shares bought back during the year | - | - | - | - |
| Shares outstanding at the end of the year | 4,90,00,000 | 49,00,00,000 | 4,90,00,000 | 49,00,00,000 |

(B) Terms/rights attached to equity shares

The company has only one class of equity shares having parvalue 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.

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

| Name of Shareholder | March 31, 2016 | | September 30, 2015 | |
|---|----------------|-----|--------------------|-----|
| | Number | % | Number | % |
| Gokak Textiles Limited | 2,49,90,000 | 51% | 2,49,90,000 | 51% |
| Shapoorji Pallonji Infrastructure Capital Company Private Limited | 2,40,10,000 | 49% | 2,40,10,000 | 49% |

GOKAK POWER & ENERGY LIMITED**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016****5 Reserves & Surplus**

| Particulars | March 31, 2016 | September 30, 2015 |
|---|----------------|--------------------|
| | ₹ | ₹ |
| General Reserve : | | |
| Opening Balance | - | - |
| (+) Transfer from Profit and Loss | - | - |
| (-) Utilised for creation of Capital redemption reserve | - | - |
| (-) Utilised for premium on buy back of shares | - | - |
| Closing Balance | - | - |
| Surplus\ (Deficit) in Statement of Profit and Loss : | | |
| Opening balance | (45,173,726) | (4,10,14,306) |
| (+) Net profit for the current period | (2,79,10,042) | (41,59,420) |
| (-) Transfer to General Reserve | - | - |
| Closing Balance | (7,30,83,768) | (4,51,73,726) |

6 Long term borrowings

| Particulars | March 31, 2016 | September 30, 2015 |
|----------------|---------------------|---------------------|
| | ₹ | ₹ |
| Secured | | |
| Term Loan | 61,82,00,000 | 65,54,00,000 |
| Total | 61,82,00,000 | 65,54,00,000 |

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.

**GOKAK POWER & ENERGY LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016****7 Other Long Term Liabilities**

| | March 31, 2016 | September 30, 2015 |
|-------------------------|--------------------|--------------------|
| | ₹ | ₹ |
| Deposits from Customers | 1,00,00,000 | 1,00,00,000 |
| Total | 1,00,00,000 | 1,00,00,000 |

8 Long term Provisions

| | March 31, 2016 | September 30, 2015 |
|--------------------------------|------------------|--------------------|
| | ₹ | ₹ |
| Provision For Gratuity | 16,55,514 | 18,00,919 |
| Provision For Leave Encashment | 3,08,374 | 3,34,078 |
| Total | 19,63,888 | 21,34,997 |

9 Short term Borrowings

| | March 31, 2016 | September 30, 2015 |
|----------------------|---------------------|--------------------|
| | ₹ | ₹ |
| Inter corporate Loan | 14,09,57,794 | 3,09,91,779 |
| Total | 14,09,57,794 | 3,09,91,779 |

10 Short Term Provisions

| | March 31, 2016 | September 30, 2015 |
|--------------------------------|-----------------|--------------------|
| | ₹ | ₹ |
| Provision For Gratuity | 2,82,420 | 2,72,003 |
| Provision For Leave Encashment | 50,390 | 54,024 |
| Total | 3,32,810 | 3,26,027 |

11 Other Current Liabilities

| | March 31, 2016 | September 30, 2015 |
|--|---------------------|---------------------|
| | ₹ | ₹ |
| Current Maturities of Long Term Borrowings | 7,44,00,000 | 6,97,50,000 |
| Interest Accrued but not due | 35,75,071 | 40,40,801 |
| Advance received from Customer | 11,45,64,979 | 10,86,66,039 |
| Deposits | - | - |
| Other Payables | 45,00,672 | 54,97,760 |
| Total | 19,70,40,722 | 18,79,54,600 |

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.

GOKAK POWER & ENERGY LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED MARCH 31, 2016

13 Fixed Assets

| | Description of Assets | Opening Balance as on 01.10.2015 | Additions during the period | Deletion | Gross Block | Cumulative Depreciation upto 01.10.2015 | Depreciation for the period | Cumulative Depreciation upto 31st March 2016 | AS on March 31, 2016 | As on Sep 30, 2015 |
|----------|--|----------------------------------|-----------------------------|----------|-----------------------|---|-----------------------------|--|-----------------------|-----------------------|
| A | Tangible Assets | | | | | | | | | |
| | Building | 75,10,65,713 | - | - | 75,10,65,713 | 7,33,01,972 | 1,27,65,693 | 8,60,67,665 | 66,49,98,048 | 67,77,63,741 |
| | Plant and Machinery | 52,73,59,316 | - | - | 52,73,59,316 | 6,44,61,923 | 65,91,595 | 7,10,53,518 | 45,63,05,798 | 46,28,97,393 |
| | Furniture, Fixtures and Office Equipment | 1,05,194 | - | - | 1,05,194 | 22,225 | 6,309 | 28,534 | 76,660 | 82,969 |
| | Total Tangible Assets | 1,27,85,30,223 | - | - | 1,27,85,30,223 | 13,77,86,120 | 1,93,63,596 | 15,71,49,716 | 1,12,13,80,507 | 1,14,07,44,103 |
| | Previous Period | 1,26,51,86,411 | 1,33,43,812 | - | 1,27,85,30,223 | 10,23,53,862 | 3,54,32,258 | 13,77,86,120 | 1,14,07,44,103 | 1,16,28,32,549 |
| B | Intangible Assets | | | | | | | | | |
| | Computer Software | 54,000 | - | - | 54,000 | 54,000 | - | 54,000 | - | - |
| | | 54,000 | - | - | 54,000 | 54,000 | - | 54,000 | - | - |
| | Previous Period | 54,000 | - | - | 54,000 | 54,000 | - | 54,000 | - | - |



GOKAK POWER & ENERGY LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016

13 Deferred Tax Asset

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| Tax effect of items constituting deferred tax assets: | | |
| Unabsorbed depreciation and brought forward business loss | 14,14,12,485 | 10,32,97,567 |
| Provision for Gratuity & Leave Encashment | 7,09,680 | 7,60,456 |
| Tax effect of items constituting deferred tax liability: | | |
| on difference between book balance & tax balance of fixed assets | 10,91,23,815 | (9,91,13,266) |
| Total | 3,29,98,350 | 49,44,757 |

The Company has recognised deferred tax asset on unabsorbed depreciation and brought forward business losses based on the management's estimates of future profits considering the non-cancellable customer orders received by the Company.

14 Long Term Loans and Advances

| | March 31, 2016 | September 30, 2015 |
|-----------------|------------------|--------------------|
| | ₹ | ₹ |
| MAT Entitlement | 51,03,087 | 51,03,087 |
| Total | 51,03,087 | 51,03,087 |

15 Inventory

| | March 31, 2016 | September 30, 2015 |
|-----------------|------------------|--------------------|
| | ₹ | ₹ |
| Stores & Spares | 17,82,640 | 15,71,118 |
| Total | 17,82,640 | 15,71,118 |

16 Trade Receivable

| | March 31, 2016 | September 30, 2015 |
|------------------------------------|------------------|--------------------|
| | ₹ | ₹ |
| Outstanding for more than 6 months | - | - |
| Others | 12,44,539 | 32,47,327 |
| Total | 12,44,539 | 32,47,327 |

19 Cash and Bank Balances

| | March 31, 2016 | September 30, 2015 |
|-------------------------------------|---------------------|--------------------|
| | ₹ | ₹ |
| Cash & Cash Equivalents: | | |
| Cash on Hand | 50,043 | 3,541 |
| Balances with banks | | |
| In Current accounts | 5,28,68,706 | 10,945 |
| Deposit account IN DSRA | 8,95,72,624 | 8,37,08,535 |
| Total | 14,24,91,373 | 8,37,23,021 |

GOKAK POWER & ENERGY LIMITED**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016****18 Short-term Loans and advances**

| | March 31, 2016 | September 30, 2015 |
|--|------------------|--------------------|
| | ₹ | ₹ |
| <u>Unsecured, considered good</u> | | |
| Prepaid Expense | 23,30,844 | 10,69,861 |
| Deposit | 22,000 | 22,000 |
| Staff Advance | 84,300 | 5,000 |
| Advance to Suppliers | 4,88,163 | 4,06,544 |
| Total | 29,25,307 | 15,03,405 |

19 Other Current Assets

| | March 31, 2016 | September 30, 2015 |
|--|--------------------|--------------------|
| | ₹ | ₹ |
| <u>Unsecured, considered good</u> | | |
| TDS Receivable | 13,89,588 | 6,64,322 |
| Interest Accrued | - | 30,21,982 |
| REC Income receivable | 7,38,60,000 | 8,48,74,500 |
| Total | 7,52,49,588 | 8,85,60,804 |

20 Revenue from Operations

| | March 31, 2016 | September 30, 2015 |
|---------------------------------------|--------------------|---------------------|
| | ₹ | ₹ |
| <u>Revenue from Operations</u> | | |
| Sale of Products | 2,17,41,888 | 13,23,18,780 |
| Other Operating Income | - | - |
| Other Income | 1,20,25,873 | 5,84,10,948 |
| Total | 3,37,67,761 | 19,07,29,728 |

21 Employee Benefit Expense

| | March 31, 2016 | September 30, 2015 |
|-------------------------------------|------------------|--------------------|
| | ₹ | ₹ |
| Salaries, Wages, Bonus and Exgratia | 24,23,216 | 77,63,402 |
| Total | 24,23,216 | 77,63,402 |

**GOKAK POWER & ENERGY LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2015 TO 31ST MARCH 2016****23 Other Expenses**

| | March 31, 2016 | September 30, 2015 |
|-----------------------------|------------------|--------------------|
| | ₹ | ₹ |
| Rates and Taxes | 1,41,331 | 11,83,905 |
| Insurance | 16,24,771 | 38,41,238 |
| Legal and Professional Fees | 7,43,829 | 25,36,106 |
| Printing and Stationery | 240 | 11,419 |
| Travelling and Conveyance | 57,503 | 2,30,361 |
| Administrative expenses | 2,98,046 | 1,54,784 |
| Water Royalty Charges | 16,50,262 | 96,37,644 |
| Freight & Handling | 12,541 | 28,669 |
| Repairs & Maintenance | 3,82,436 | 20,48,827 |
| Audit Fees | 1,86,740 | 1,47,872 |
| Electricity Charges | 1,06,970 | 97,782 |
| Stores & Spares consumed | 3,25,717 | 10,19,651 |
| Total | 55,30,386 | 2,09,38,258 |

23 Finance Cost

| | March 31, 2016 | September 30, 2015 |
|-----------------------|--------------------|---------------------|
| | ₹ | ₹ |
| Finance Charges | 80,15,836 | 1,878 |
| Interest on Term Loan | 4,30,98,195 | 10,14,98,282 |
| Other Interest | 1,13,00,167 | 1,57,07,210 |
| Total | 6,24,14,198 | 11,72,07,370 |

- 24 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 March 31, 2016 to Micro, Small and Medium Enterprises on account of Principal amount together with interest, aggregate to Rs. Nil (Previous year Rs. Nil)
- 25 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.
- 26 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:

| Particulars | March 31, 2016 | September 30, 2015 |
|--|----------------|--------------------|
| Net Profit after Tax for the year (Rs.) | (2,79,10,042) | (41,59,420) |
| Weighted average number of Equity Shares outstanding | 4,90,00,000 | 4,90,00,000 |
| Nominal Value of Share (Rs.) | 10 | 10 |
| Earnings Per share (Basic and Diluted) (Rs.) | (0.57) | (0.08) |

GOKAK POWER & ENERGY LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

27 Gratuity

| | March 31, 2016 | September 30, 2015 |
|--|---|---|
| | ₹ | ₹ |
| a) Change in Present Value of Obligation | | |
| Present value of the obligation at the beginning of the year | 20,72,702 | 29,56,622 |
| Benefits earned during the year | | - |
| Current Service Cost | 52,717 | 92,672 |
| Interest Cost | 82,502 | 2,62,280 |
| Past Service Cost - Vested Benefit | | |
| Actuarial (Gain) / Loss on Obligation | -2,70,207 | -6,846 |
| Benefits Paid | - | -12,32,026 |
| Present value of the obligation at the end of the year | 19,37,714 | 20,72,702 |
| b) Change in Plan Assets | | |
| Fair value of Plan Assets at the beginning of the year | - | - |
| Expected return on Plan Assets | - | - |
| Actuarial Gain / (Loss) on Plan Assets | - | - |
| Contributions by Plan Participants | - | - |
| Benefits Paid | - | - |
| Fair value of Plan Assets at the end of the year | - | - |
| c) Amounts Recognised in the Balance Sheet | | |
| Present value of Obligation at the end of the year | 19,37,714 | 20,72,702 |
| Fair value of Plan Assets at the end of the year | - | - |
| Net Obligation at the end of the year | 19,37,714 | 20,72,702 |
| d) Amounts Recognised in the Statement of Profit & Loss | | |
| Current Service Cost | 52,717 | 92,672 |
| Interest cost on Obligation | 82,502 | 2,62,280 |
| Expected return on Plan Assets | - | - |
| Net Actuarial (Gain) / Loss recognised in the year | -2,70,207 | -6,846 |
| Past Service Cost - Vested Benefit recognised in the year | - | - |
| Expenses recognized in Profit & Loss Account | -1,34,988 | 3,48,106 |
| e) Actual return on Plan Assets | | |
| Expected return on Plan Assets | - | - |
| Actuarial Gain / (Loss) on Plan Assets | - | - |
| Actual return on Plan Assets | - | - |
| f) Actuarial Assumptions | | |
| i) Discount Rate | 7.96% | 7.96% |
| ii) Expected Rate of Return on Plan Assets | - | - |
| iii) Salary Escalation Rate | 4.00% | 4.00% |
| iv) Attrition Rate | 2.00% | 2.00% |
| v) Mortality | Indian Assured Lives Mortality (2006-08) Ultimate | Indian Assured Lives Mortality (2006-08) 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.

**GOKAK TEXTILES LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 01, OCTOBER 2015 TO MARCH 31, 2016****28 Related Party Disclosures:****A Names of the related parties and description of relationship (where there are transactions)**

I) Holding Company
Gokak Textiles Limited

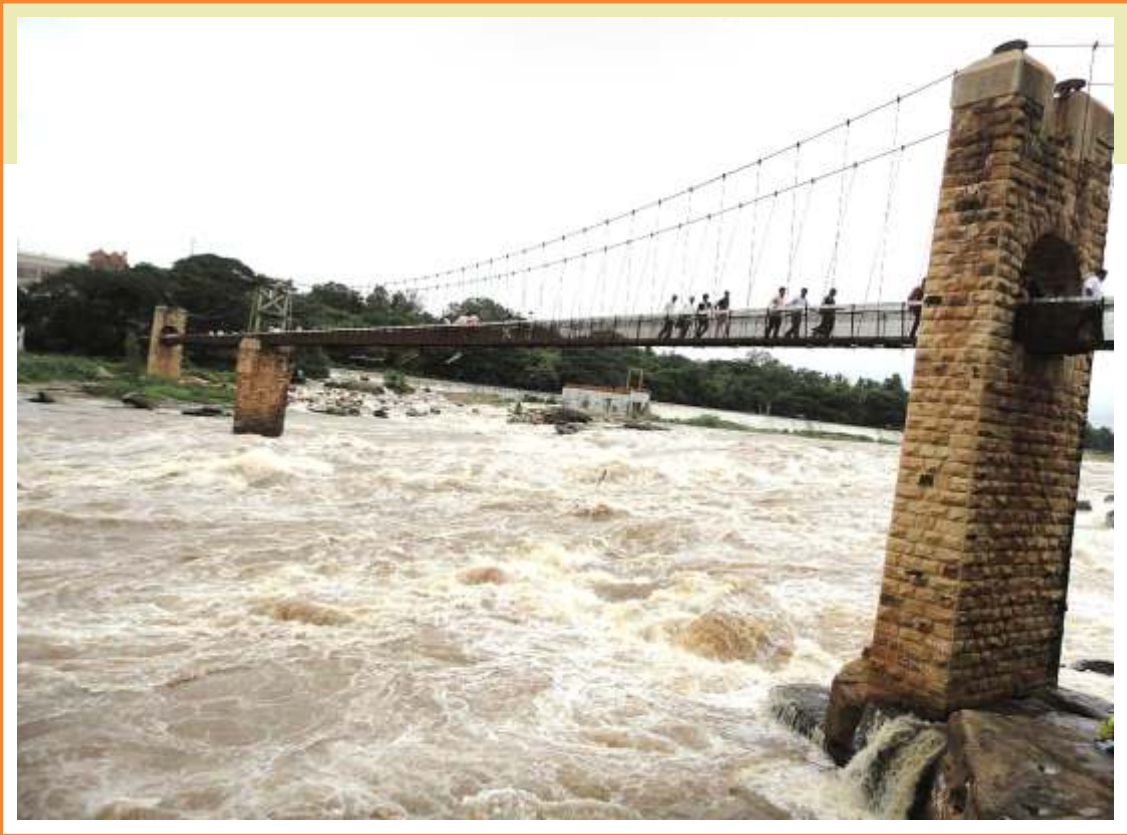
II) Subsidiaries

III) Associate Companies
Shapoorji Pallonji Infrastructure Capital Company Private Limited
Shapoorji Pallonji Energy (Gujarat) Private Limited
Shapoorji Pallonji & Company Private Limited

IV) Key Managerial Personnel
Mr. Sachin Kulkarni Managing Director (resigned wef 16.05.2016)
Mr. Vikram Nagar Whole Time Finance Director (appointed wef 27.05.2016)

B Particulars of transaction with Related Parties**(Amount in ₹)**

| Six Months ended March 31, 2016 Year Ended September 30, 2015 Nature of Transactions | Holding Company | Subsidiary | Associates companies | Key Managerial Personnel | Total |
|--|-----------------|------------|----------------------|--------------------------|--------------|
| Sales (including Electricity Tax) | 1,99,08,000 | - | - | - | 1,99,08,000 |
| Previous Year (including Electricity Tax) | 13,64,79,335 | - | - | - | 13,64,79,335 |
| Interest Expenses | 92,04,331 | - | 20,95,836 | - | 1,13,00,167 |
| Previous Year | 1,29,38,566 | - | 27,68,644 | - | 1,57,07,210 |
| Advances/Loan Taken | - | - | 13,66,00,000 | - | 13,66,00,000 |
| Previous Year | - | - | 2,85,00,000 | - | 2,85,00,000 |
| Expenses / Payments Incurred on behalf | - | - | - | - | - |
| Previous Year | 1,32,622 | - | - | - | 1,32,622 |
| Reimbursement of Expenditure | 49,123 | - | - | - | 49,123 |
| Previous Year | - | - | - | - | - |
| Deposit Payable | 1,00,00,000 | - | - | - | 1,00,00,000 |
| Previous Year | 1,00,00,000 | - | - | - | 1,00,00,000 |
| Payables | 11,45,64,979 | - | 14,09,57,794 | - | 25,55,22,773 |
| Previous Year | 10,86,66,039 | - | 3,09,91,779 | - | 13,96,57,818 |





GOKAKTM TEXTILES LIMITED

Shop site No. 1, 11nd floor, Ideal Homes, 12th cross,
Near Jayanna Circle, Rajarajeshwari Nagar,
Mysore Road, Bangalore-560 098