



**GOKAK**<sup>TM</sup>  
TEXTILES LIMITED



**8<sup>th</sup>**  
**Annual Report**  
**2013 - 2014**

<b>DIRECTORS</b>	: SHAPOOR P. MISTRY H.S.BHASKAR ASHOK BARAT C. G. SHAH PRADIP N. KAPADIA R.N.JHA KAIWAN KALYANIWALLA RIMA MARPHATIA (Nominee Director, Export Import Bank of India) VASANT N. SANZGIRI D. G. PRASAD	– <i>Chairman</i> – <i>Executive Director &amp; CEO</i>  – ( up to 30.09.2014)      – ( up to 10.01.2014)
<b>CHIEF FINANCIAL OFFICER</b>	: GOVINDA R. KADEKAR	
<b>COMPANY SECRETARY</b>	: K.RAMANANDA PAI	
<b>AUDITORS</b>	: Messrs. KALYANIWALLA & MISTRY	
<b>BANKERS</b>	: PUNJAB NATIONAL BANK STANDARD CHARTERED BANK STATE BANK OF INDIA EXPORT IMPORT BANK OF INDIA AXIS BANK LIMITED IDBI BANK LIMITED THE RATNAKAR BANK LIMITED THE ZOROASTRIAN CO-OPERATIVE BANK LIMITED	
<b>REGISTRARS AND SHARE TRANSFER AGENTS</b>	: TSR DARASHAW PRIVATE. LIMITED UNIT: GOKAK TEXTILES LIMITED, 6-10, HAJI MOOSA PATRAWALA INDUSTRIAL ESTATE, 20, DR.E.MOSES ROAD, MAHALAXMI, MUMBAI 400 011	
<b>BRANCH</b>	: TSR DARASHAW PRIVATE LIMITED UNIT : GOKAK TEXTILES LIMITED 503. BARTON CENTRE, 5TH FLOOR 84, MAHATMA GANDHI ROAD BANGALORE – 560 001	
<b>MILLS</b>	: GOKAK FALLS-591 308 (DISTRICT BELGAUM-KARNATAKA)	
<b>KNITWEAR UNIT</b>	: BAGALKOT ROAD VILLAGE MARIHAL - 591 167 DIST. BELGAUM KARNATAKA	
<b>REGISTERED OFFICE &amp; CORPORATE OFFICE</b>	: No. 24, 29TH MAIN BTMLAYOUT II STAGE BANGALORE - 560076.	

<b>CONTENTS</b>	<b>Pages</b>
Notice	3-13
Directors' Report and Annexures	14-21
Corporate Governance	22-31
Auditors' Report	32-34
Balance Sheet	35
Profit and Loss Account	36
Cash Flow Statement	37-38
Note 1 - Corporate Information	39
Note 2 - Preparation	39
Note 3 - Accounting Policies	39-41
Note 4 - Share Capital	41
Note 5 - Reserves and Surplus	42
Note 6 - Long-Term Borrowings	42
Note 7 - Deferred Tax Liability	42
Note 8 - Long Term Provisions	43
Note 9 - Short Term Borrowings	43
Note 10 - Trade Payables	43
Note 11 - Other Current Liabilities	43
Note 12 - Short-Term Provisions	43
Note 13 - Fixed Assets-Tangible Assets	44
Note 14 - Non-Current Investments	45
Note 15 - Long Term Loans and Advances	45
Note 16 - Inventories	45
Note 17 - Trade Receivables	45
Note 18 - Cash and Bank Balances	46
Note 19 - Short Term Loans and Advances	46
Note 20 - Other Current Assets	46
Note 21 - Revenue from Operations	46
Note 22 - Other Operating Income	47
Note 23 - Other Income	47
Note 24 - Cost of Materials Consumed	47
Note 25 - Purchase of Stock in Trade	48
Note 26 - Change In Inventory of Finished Goods and Work in Progress	48
Note 27 - Employee Benefits Expense	49
Note 28 - Other Expenses	49
Note 29 - Finance Costs	49
Note 30 - Contingent liabilities	50
Note 31-35 - Other Note	50
Notes 36 - Gratuity	51
Notes 37 - Other Note	51
Notes 38 - Earning per Share	52
Notes 39 - Break up of details of consumptions of Raw Materials & Stores and Spares	52
Notes 40 - CIF Value of Imports	52
Notes 41 - Income in Foreign Currency	52
Notes 42 - Expenditure in Foreign Currency	52
Notes 43 - Auditors Remuneration included in legal and professional fees (including service tax)	53
Notes 44 - Directors Remuneration	53
Notes 45 - Related Party Disclosures:	53-55
Notes 46- Segment Information	56
Consolidated Financial Statements	57-79
Balance Sheet Abstract	80
Subsidiary Company	81-97
Attendance	98
Proxy	99-100

Annual General Meeting will be held on Monday, the 29th December, 2014 at 3.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560 001.

---

## Annual Report 2013 - 2014

---

### NOTICE

NOTICE is hereby given that the 8<sup>th</sup> ANNUAL GENERAL MEETING of the Members of GOKAK TEXTILES LIMITED, will be held on Monday, the 29<sup>th</sup> December, 2014 at 3.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560 001 to transact the following business :

#### **Ordinary Business :**

1. To receive, consider and adopt the Audited Financial Statements including Consolidated Financial Statements for the year ended 30<sup>th</sup> September, 2014, Audited Balance Sheet as at 30<sup>th</sup> September, 2014 and the Statement of Profit and Loss for the year ended that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr.Shapoor P. Mistry (DIN 00010114) who retires by rotation and being eligible, offers himself for re-appointment.
3. Appointment of Auditors :

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, 142 and all other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder, as amended from time to time, Messrs. Kalyaniwalla & Mistry, Chartered Accountants (Registration No.104607W), are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM), until the conclusion of the 11<sup>th</sup> Annual General Meeting of the Company to be held in the year 2017 (subject to ratification of their appointment by the Members at every AGM) at such remuneration as may be fixed by the Board of Directors plus applicable taxes thereon and reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting audit of the accounts of the Company”.

4. Appointment of Branch Auditors :

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 143(8) and other applicable provisions, if any, of the Companies Act, 2013 (Act), as amended from time to time, Messrs. Murugesh & Co., Chartered Accountants (Registration no.002233S) Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company’s Forbes Campbell Knitwear Division, situated at Marihal, Belgaum and to hold office from the conclusion of this Meeting until the conclusion of the 11<sup>th</sup> Annual General Meeting of the Company to be held in the year 2017 on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company, in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting the audit”.

#### **Special Business :**

5. Appointment of Mr.Pradip N. Kapadia (DIN 00078673) as an Independent Director.

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 Sections 149,150,152 and other applicable provisions, if any, of the Companies Act, 2013, (the Act) and the Rules made thereunder (including any statutory modifications(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr.Pradip N. Kapadia (DIN 00078673), Director of the Company, who is eligible for appointment and meets the criteria for independence as provided in Section 149(6) of the Act, 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, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of 5 consecutive years, commencing from 29<sup>th</sup> December, 2014”.

6. Appointment of Mr.R.N.Jha (DIN 00033291) as an Independent Director.

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 Sections 149,150,152 and other applicable provisions, if any, of the Companies Act, 2013, (the Act) and the Rules made thereunder (including any statutory modifications(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr.R.N. Jha (DIN 00033291), Director of the Company, who is eligible for appointment and meets the criteria for independence as provided in Section 149(6) of the Act, 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, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of One year, commencing from 29<sup>th</sup> December, 2014”.

7. Appointment of Mr.Kaiwan Kalyaniwalla (DIN 00060776) as an Independent Director.

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 Sections 149,150,152 and other applicable provisions, if any, of the Companies Act, 2013, (the Act) and the Rules made thereunder (including any statutory modifications(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr.Kaiwan Kalyaniwalla (DIN 00060776), Director of the Company, who is eligible for appointment and meets the criteria for independence as provided in Section 149(6) of the Act, 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, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of 5 consecutive years, commencing from 29<sup>th</sup> December, 2014”.

8. Appointment of Mr.D.G.Prasad (DIN 00160408) as an Independent Director.

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 Sections 149,150, 152 and other applicable provisions, if any, of the Companies Act, 2013, (the Act) and the Rules made thereunder (including any statutory modifications(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr.D.G.Prasad (DIN 00160408), Director of the Company, who is eligible for appointment and meets the criteria for independence as provided in Section 149(6) of the Act, 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, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of 5 consecutive years, commencing from 29<sup>th</sup> December, 2014”.

9. Approval of Borrowing Limits 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 in supersession of the earlier resolution(s) passed by the Members of the Company with respect to the borrowing powers of the Board of Directors and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the relevant Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded, to the Board of Directors of the Company (hereinafter referred to as “the Board” which term include any Committee thereof), to borrow money, from time to time, at its discretion any sum or sums of money not exceeding Rs.500,00,00,000 (Rupees five hundred crores only) on security and on such terms and conditions as the Board may deem fit not withstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) would exceed the aggregate of the paid up share capital and free reserves of the Company, that is to say, reserves not set for any specific purpose”.

“RESOLVED FURTHER that the Board, be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may deem necessary, desirable or expedient to give effect to the above resolution and/or incidental thereto”.

10. Approval for Creation of Charge(s) on the Assets 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 in supersession of earlier resolution(s) passed by the Members of the Company and pursuant to Section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) the consent of the Members be and is hereby accorded to the Board of Directors (hereinafter referred to as “the Board” which term includes any Committee thereof) to create charges, hypothecations, mortgages on movable and/or immovable properties of the Company, present and/or future in favour of banks, financial institutions, trustees on such terms and conditions as the Board may deem fit, towards security of borrowings of the Company from time to time provided that the total amount at any point of time shall not exceed Rs.500 Crores (Rupees five hundred Crores only)”.

“RESOLVED FURTHER that the Board of Directors/Committee(s) of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may deem necessary, desirable or expedient to give effect to the above resolution and/or incidental thereto”.

Mumbai  
10<sup>th</sup> November, 2014.

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

For and on behalf of the  
Board of Directors

**H S Bhaskar**  
*Executive Director & CEO*

## Annual Report 2013 - 2014

---

### NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the Special Business to be transacted in respect of item nos. 5 to 10 is annexed hereto.
2. (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. AN INSTRUMENT OF APPOINTMENT OF PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME SCHEDULED FOR COMMENCEMENT OF THE MEETING.**
  - (b) Pursuant to the provisions of 105 of the Companies Act, 2013, a Person can act as Proxy on behalf of Members not exceeding 50(fifty) and holding in aggregate not more than 10% of the total Share Capital of the Company. Members holding more than 10%, of the total Share Capital of the Company may appoint a single person as Proxy and such person shall not act as Proxy for any other Member. Proxies submitted on behalf of Limited Companies, Societies etc., must be supported by an appropriate resolution/authority, as applicable. A proxy form for the Annual General Meeting is enclosed.
  - (c) A Member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, during the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, provided that not less than three days of notice in writing is given to the Company.
3. **Voting through electronic means (e-voting)** : Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35B of the listing agreement , the Company is pleased to provide e-voting facility to the Members to exercise their right to vote electronically on all the items/resolutions set forth in the Notice of the 8<sup>th</sup> Annual General Meeting of the Company to be held on 29<sup>th</sup> December, 2014. Instructions relating to e-voting facility forming part of this notice is annexed to this Notes.
4. **Voting through Postal Ballot** : Members who do not have access to e-voting facility may send duly completed Postal Ballot Form in the enclosed self-addressed pre-paid postage envelope (enclosed with the Annual Report) so as to reach the Scrutinizer appointed by the Board of Directors of the Company, Mr. B S Srinivas, Practising Company Secretary not later than 5.00 p.m. on Wednesday, 25<sup>th</sup> December, 2014. Ballot Forms received after this date and time will be treated as invalid. Ballot Forms deposited in person or sent by post or courier at the expenses of the Member will also be accepted.
5. **Poll at the Meeting** : After all the items of the notice have been discussed, the Chairman of the Meeting will order Poll in respect of all the items. Poll will be conducted and supervised under Scrutinizer appointed by the Company for the purpose of conducting e-voting process. The results of the Poll aggregated with the results of e-voting and postal ballot will be announced by the Company on its website [www.gokakmills.com](http://www.gokakmills.com) within two days from the date of the Annual General Meeting of the Company and also inform the Bombay Stock Exchange Ltd.,
6. Member(s) can opt for only one mode of voting i.e. e-voting or postal ballot or physical voting at the Annual General Meeting. In case a member has cast multiple votes, then voting done by e-voting will be treated as valid.
7. The relevant details as required under Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited, of persons seeking re-appointment/appointment as Directors/Independent Directors are annexed to the Notice.
8. Members/Proxies are requested to bring their copy of Annual Report and duly-filled Attendance slips sent herewith to attend the meeting.
9. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names as per the Registrar of Members will be entitled to vote.
10. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution to the Company authorizing their representative to attend and vote on their behalf at the Meeting.
11. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 22<sup>nd</sup> December, 2014 to Monday, the 29<sup>th</sup> December, 2014 (both days inclusive).
12. Members are requested to promptly notify any change in their address, e-mail address, contact numbers etc., to the Registrars and Share Transfer Agents or the Depository Participants (in case of shares held in dematerialized mode).
13. The shareholders desirous of obtaining any information with regard to audited accounts or any other related matters are requested to write to the company well in advance before the date fixed for the annual general meeting, so that, the information required could be kept ready.
14. All the documents referred to in Statement pursuant to Section 102 of the Companies Act, 2013 will be available for inspection during normal business hours (9.30 a.m. to 5.00 p.m. Monday to Friday) on all working days upto the date of the declaration of the results of the 8<sup>th</sup> Annual General Meeting of the Company.
15. **Nomination of shares** : Individual/Joint Shareholders holding Equity Shares of the Company either singly or jointly may nominate an individual to whom all the rights in such Shares shall vest in the event of death of the sole/all joint Shareholders. Such person can obtain Nomination Form No.SH-13 either from the Registrar and Transfer Agents or from the Company.
16. **Permanent Account Number (PAN)** : The Securities and Exchange Board of India (SEBI) has mandated the submission of PAN by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participant(s) with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Transfer Agent.
17. Your company has sent Annual Report containing the Notice, Directors Reports, Audited Financial Statements, Auditors Report, Report on Corporate Governance, Process and manner of e-voting etc., along Attendance Slip and Proxy Form by electronic mode to the e-mail IDs

registered by you with your Depository Participant or registered with the Registrar & Transfer Agent unless any Members has requested for a physical copy of the same. For Members who have not registered their e-mail address, physical copies of the Annual Report containing Notice etc., are being sent by the permitted mode.

18. To support the 'Green Initiative', the Members holding shares in dematerialised form are requested to update / register their e-mail address with their Depository Participant and Members holding shares in physical mode are requested to update / register their e-mail address with [tsrdlbg@tsrdarashaw.com](mailto:tsrdlbg@tsrdarashaw.com), or [ramanandapai@gokaktextiles.com](mailto:ramanandapai@gokaktextiles.com) so as to ensure that the annual report and other documents reach them on their preferred e-mail ID.

19. Please address all communications including lodging of Transfer Deeds to.

**REGISTRARS AND SHARE TRANSFER AGENTS**

TSR Darashaw Pvt. Ltd.,

UNIT: GOKAK TEXTILES LIMITED

6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road, (Near Famous Studio), Mahalaxmi, Mumbai 400 011

Tel. : 91 22 66568484, Fax. :91 22 66568494 Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday)

e-mail : [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com)

**Branch Offices**

1. TSR Darashaw Pvt. Ltd.,  
503, Barton Centre, 5th floor,  
84, Mahatma Gandhi Road,  
Bangalore 560 001  
Tel.:080-25320321 Fax:080-25580019  
e-mail:tsrdlbg@tsrdarashaw.com

3. TSR Darashaw Pvt. Ltd.,  
Bungalow No.1, "E" Road,  
Northern Town, Bistupur,  
Jamshedpur 831 001  
Tel.:0657-2426616 Fax:0657-2426937  
e-mail:tsrdljsr@tsrdarashaw.com

2. TSR Darashaw Pvt. Ltd.,  
Tata Cente, 1st floor,  
43, Jawaharlal Nehru Road,  
Kolkata 700 071  
Tel.:033-22883087 Fax:033-22883062  
e-mail:tsrdlcal@tsrdarashaw.com

4. TSR Darashaw Pvt. Ltd.,  
Plot No.2/42, Sant Vihar,  
Ansari Road, Daryaganj,  
New Delhi 110 002  
Tel.:011-23271805 Fax:011-23271802  
e-mail:tsrdldel@tsrdarashaw.com

**Agent**

Shah Consultancy Services Ltd.

#3, Sumatinath Complex, 2nd Dhal, Pritam Nagar,

Akhada Road, Ellisbridge, Ahmedabad 380 006.

Telefax: 079- 26576038 e- mail: [shahconsultancy8154@gmail.com](mailto:shahconsultancy8154@gmail.com)

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

**COMPANY SECRETARY**

GOKAK TEXTILES LIMITED

No.24, 29<sup>th</sup> Main, BTM Layout II Stage, Bangalore – 560 076

Telephone: 080 26685605 Fax : 080 26689509

e-mail: [ramanandapai@gokaktextiles.com](mailto:ramanandapai@gokaktextiles.com)

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

## Annual Report 2013 - 2014

### 20. VOTING THROUGH ELECTRONIC MEANS:

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35B of the Listing Agreement, your Company is pleased to provide e-voting facility to the Members holding equity shares either in physical or in dematerialised form, as on 21<sup>st</sup> November, 2014 (cut-off date) are entitled to cast their vote electronically in respect of businesses to be transacted at the 8<sup>th</sup> Annual General Meeting to be held on 29<sup>th</sup> December, 2014.

1. The Members holding shares either in physical form or in dematerialised form, as on 21<sup>st</sup> November, 2014 (cut-off date) are entitled to cast their vote electronically on all the resolutions set forth in this Notice. The Members not casting their vote electronically, may cast their vote through Postal Ballot Form or Poll at the Annual General Meeting. The voting rights of Members shall be in proportion to their shares of the paid-up-equity share capital of the Company as on cut-off date.
2. The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the e-voting facility. The e-voting facility is available at the link <https://www.evoting.nsdl.com>
3. The Electronic Voting Event Number (EVEN), User ID and User e-voting particulars are set out in the Ballot Form as stated below :

Electronic Voting Event Number (EVEN)	User ID	Password
<b>101421</b>	<b>Provided in the Postal Ballot Form enclosed on the top of this Annual Report.</b>	

4. The Companies (Management and Administration) Rules, 2014 provides that the electronic voting period shall be completed three days prior to the date of Annual General Meeting. Accordingly, the e-voting facility will be available during the following voting period:  
Commencement of e-voting : From 10.00 AM (IST) on 23<sup>rd</sup> December, 2014  
End of e-voting : Upto 5.00 PM (IST) on 25<sup>th</sup> December, 2014
5. The voting shall not be allowed after the end of e-voting period. The e-voting module shall be disabled by National Securities Depository Ltd., (NSDL) for voting thereafter. Once the vote on a resolution is cast by the Member by e-voting, the Member shall not be allowed to change it subsequently.

#### **INSTRUCTIONS AND OTHER INFORMATION RELATING TO E-VOTING ARE AS UNDER:**

The Members holding shares either in physical form or in dematerialised form, as on 21<sup>st</sup> November, 2014 (cut-off date) are entitled to cast their vote electronically on all the resolutions set forth in this Notice.. The voting rights of Members shall be in proportion to their shares of the paid-up-equity share capital of the Company as on cut-off date.

#### **I. In case of a Member receives an e-mail from TSR Darashaw Limited to their Registered e-mail ID**

- (a) Open the e-mail and also open PDF File namely 'GTL e-voting.pdf' with Client ID or Folio Number as password. The said .PDF file contains your User ID and Password for e-voting. Please note that the password provided in .PDF is an Initial Password.
- (b) Open the internet browser and type the URL <https://www.evoting.nsdl.com>
- (c) Click on Shareholder – Login
- (d) If you are already registered with National Securities Depositories Ltd., (NSDL) for e-voting, then you can use your existing user ID and password for Login.
- (e) If you are logging in for the first time, please enter the User ID and Password provided in the postal ballot form.
- (f) Insert User-ID and Initial Password as noted in step (a) above and click 'Login'
- (g) The Password change menu will appear on your screen. Change to a new password of your choice, making sure that it contains minimum of 8 digits or characters or a combination of both. Please keep a note of the new Password. It is strongly recommended not to share your Password with any person and take utmost care to keep it confidential.
- (h) Home page of e-voting will open. Click on e-Voting > Active Voting Cycles.
- (i) Select 'EVEN' (E-Voting Event Number) of Gokak Textiles Limited which is **101421**. Once you enter the number, the 'Cast Vote' page will open and now you are ready for e-voting
- (j) Cast your vote by selecting appropriate option and click on 'Submit'. Also click on 'Confirm' when prompted. Upon confirmation, the message 'Vote cast successfully' will be displayed.
- (k) Once you have voted on a resolution, you will not be allowed to modify your vote. Further, the Members who have cast their vote electronically shall not be allowed to vote again at the AGM.
- (l) 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, together with the attested specimen signature(s) of the duly authorized signatory(ies) who are authorised to vote, to the Scrutinizer through an e-mail at [srinivas.cosecsri.com](mailto:srinivas.cosecsri.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).



**II. In case of a Member receives physical copy of the Annual Report :**

(i) Initial Password is provided, as follows, in the Ballot Form enclosed to this Annual Report.

EVEN (E-voting Event Number)	User ID	Password
<b>101421</b>	<b>Provided in the Postal Ballot Form enclosed on the top of this Annual Report.</b>	

Please follow all steps from Sr. No. (a) to Sr. No. (j) above, to cast your vote.

(ii) In case of any queries, you may refer to the 'Frequently Asked Questions' (FAQs) and 'e-voting user manual' available in the 'Downloads' section of NSDL's e-voting website [www.evoting.nsd.com](http://www.evoting.nsd.com) or contact NSDL by e-mail at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).

**III. Other Instructions :**

1. Member(s) can opt for only one mode of voting i.e. either e-voting or Postal Ballot or physical voting at the Annual General Meeting. In case a member has cast multiple votes, then voting done by e-voting will be treated as valid.
2. A copy of the said Notice of the Annual General Meeting and e-voting instructions are also available on the website of the Company viz., [www.gokakmills.com](http://www.gokakmills.com) under Investor Corner.
3. Mr.B.S.Srinivas, Practising Company Secretary, Bangalore has been appointed as the Scrutinizer to scrutinize the e-voting process (including the Ballot Forms received from the Members through post or Poll at the Annual General Meeting) in a fair and transparent manner.
4. The Scrutinizer shall, within a period not exceeding 3(three) workings days from the conclusion of the e-voting period, unlock the votes in the presence of at least 2 (two) witnesses, not in employment of the Company and make a Scrutinizer's Report of the votes cast in favour of or against, if any, forthwith to the ED & CEO of the Company.
5. The Scrutinizer's decision on the validity of the vote shall be final and binding.
6. The Results shall be declared on or after the Annual General Meeting of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.gokakmills.com](http://www.gokakmills.com) under 'Investor Corner' and the e-voting website of NSDL [www.evoting.nsd.com](http://www.evoting.nsd.com) on 31.12.2014 and shall also be communicated to the Bombay Stock Exchange Ltd. where the shares of the Company are listed.
7. The Results on resolutions declared at or after the Annual General Meeting of the Company will be deemed to be passed on the date of the Annual General Meeting, subject to receipt of requisite number of votes in favour, through a compilation of e-voting, postal ballot and poll to be held at the Annual General Meeting.

**Annual Report**  
**2013 - 2014**

---

**ANNEXURE TO THE NOTICE**

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

In respect of Item no.5

The Board of Directors of the Company, appointed Mr. Pradip N. Kapadia as an Independent Director pursuant to the provisions of Clause 49 of the Listing Agreement entered with the Bombay Stock Exchange Limited.

In compliance with the provisions of section 149 read with schedule IV of the Companies Act, 2013 every listed public company is required to have atleast one third of the total number of directors as Independent Directors who are not liable to retire by rotation.

An Independent Director shall hold office for a term upto 5 consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a Special Resolution by the Company.

Based on the recommendation received from the Nomination and Remuneration Committee and in view of his knowledge, expertise and in particular, the contributions made by him, it is proposed to appoint Mr. Pradip N. Kapadia as an Independent Director of the Company for a term of 5 consecutive years commencing from 29th December, 2014 in terms of Section 149, 150, 152 of the Companies Act, 2013 and the Rules made thereunder read with Schedule IV to the Act and Clause 49 of the Listing Agreement.

Mr. Pradip N Kapadia has given his consent to act as an Independent Director of the Company and a declaration that he meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement. In terms of Clause 49 of the Listing Agreement, the details of directorships and committee positions held are annexed to this Notice.

A Notice in writing, has been received from a Member under Section 160 of the Companies Act, 2013 together with the requisite deposit, signifying intention to propose Mr. Pradip N. Kapadia as a candidate for appointment as a Director.

Mr. Pradip N. Kapadia, aged 62 years, is a Solicitor & Advocate, Partner in the Law Firm "Vigil Juris", Advocates, Solicitors & Notary, Mumbai and Director on the Board of several companies. He has wide and varied experience in general and legal matters as an Advocate.

A copy of the draft Letter of Appointment for Mr. Pradip N Kapadia, as an Independent Director setting out terms and conditions of his appointment, is available for inspection by the Members at the Registered Office of the Company on all working days upto the date of Annual General Meeting

None of the Directors and /or Key Managerial Personnel (KMP) and their relatives other than Mr. Pradip N. Kapadia is concerned or interested, financially or otherwise in the said resolution

The Board of Directors consider that the appointment of Mr. Pradip N. Kapadia would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.5 of the Notice.

In respect of Item no.6

The Board of Directors of the Company, earlier appointed Mr. R.N. Jha as an Independent Director pursuant to the provisions of Clause 49 of the Listing Agreement entered with the Bombay Stock Exchange Limited.

In compliance with the provisions of section 149 read with schedule IV of the Companies Act, 2013 every listed public company is required to have atleast one third of the total number of directors as Independent Directors who are not liable to retire by rotation.

An Independent Director shall hold office for a term upto 5 consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a Special Resolution by the Company.

Based on the recommendation received from the Nomination and Remuneration Committee and in view of his knowledge, expertise and in particular, the contributions made by him, it is proposed to appoint Mr. R.N.Jha as an Independent Director of the Company for a term of One year commencing from 29th December, 2014 in terms of Section 149, 150, 152 of the Companies Act, 2013 and the Rules made thereunder read with Schedule IV to the Act and Clause 49 of the Listing Agreement.

Mr. R.N.Jha has given his consent to act as an Independent Director of the Company and a declaration that he meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement. In terms of Clause 49 of the Listing Agreement, the details of directorships and committee positions held are annexed to this Notice.

A Notice in writing, has been received from a shareholder under Section 160 of the Companies Act, 2013 together with requisite deposit, signifying intention to propose Mr. R.N.Jha as a candidate for appointment as a Director.

Mr. R.N.Jha aged 74 years, is Management Consultant and Director on the Board of several companies. He has wide and varied experience in general, insurance, corporate planning and restructuring of projects etc.,

A copy of the draft Letter of Appointment for Mr. R.N.Jha, as an Independent Director setting out terms and conditions of his appointment, is available for inspection by the Members at the Registered Office of the Company on all working days upto the date of Annual General Meeting

None of the Directors and /or Key Managerial Personnel (KMP) and their relatives other than Mr. R.N.Jha is concerned or interested, financially or otherwise in the said resolution

The Board of Directors consider that the appointment of Mr. R.N.Jha would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.6 of the Notice.

In respect of Item no.7

The Board of Directors of the Company, appointed Mr.Kaiwan Kalyaniwalla as an Independent Director pursuant to the provisions of Clause 49 of the Listing Agreement entered with the Bombay Stock Exchange Limited.

In compliance with the provisions of section 149 read with schedule IV of the Companies Act, 2013 every listed public company is required to have atleast one third of the total number of directors as Independent Directors who are not liable to retire by rotation.

An Independent Director shall hold office for a term upto 5 consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a Special Resolution by the Company.

Based on the recommendation received from the Nomination and Remuneration Committee and in view of his knowledge, expertise and in particular, the contributions made by him, it is proposed to appoint Mr. Kaiwan Kalyaniwalla as an Independent Director of the Company for a term of 5 consecutive years commencing from 29th December, 2014 in terms of Section 149,150, 152 of the Companies Act, 2013 and the Rules made thereunder read with Schedule IV to the Act and Clause 49 of the Listing Agreement.

Mr.Kaiwan Kalyaniwalla has given his consent to act as an Independent Director of the Company and he meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement. In terms of Clause 49 of the Listing Agreement, the details of directorships and committee positions held are annexed to this Notice.

A Notice in writing, has been received from a Member under Section 160 of the Companies Act, 2013 together with the requisite deposit, signifying intention to propose Mr. Kaiwan Kalyaniwalla as a candidate for appointment as a Director.

Mr. Kaiwan Kalyaniwalla, aged 49 years, is Solicitor & Advocate of the Bombay High Court and a Partner in the Law Firm Maneksha & Sethna in Mumbai. He is on the Board of various Indian and foreign companies. He has wide and varied experience as an Advocate in the field of corporate laws, property laws and general commercial laws.

A copy of the draft Letter of Appointment for Mr.Kaiwan Kalyaniwalla, as an Independent Director, setting out terms and conditions of his appointment, is available for inspection by the Members at the Registered Office of the Company on all working days upto the date of Annual General Meeting.

None of the Directors and /or Key Managerial Personnel (KMP) and their relatives other than Mr.Kaiwan Kalyaniwalla is concerned or interested, financially or otherwise in the said resolution.

The Board of Directors consider that the appointment of Mr.Kaiwan Kalyaniwalla would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.7 of the Notice.

In respect of Item no.8

The Board of Directors of the Company, appointed Mr. D.G. Prasad as an Independent Director pursuant to the provisions of Clause 49 of the Listing Agreement entered with the Bombay Stock Exchange Limited.

In compliance with the provisions of section 149 read with schedule IV of the Companies Act, 2013 every listed public company is required to have atleast one third of the total number of directors as Independent Directors who are not liable to retire by rotation.

An Independent Director shall hold office for a term upto 5 consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a Special Resolution by the Company.

Based on the recommendation received from the Nomination and Remuneration Committee and in view of his knowledge, expertise and in particular, the contributions made by him, it is proposed to appoint Mr. D. G. Prasad as an Independent Director of the Company for a term of 5 consecutive years commencing from 29th December, 2014 in terms of Sections 149,150, 152 of the Companies Act, 2013 and the Rules made thereunder read with Schedule IV to the Act and Clause 49 of the Listing Agreement.

Mr.D.G. Prasad has given his consent to act as an Independent Director of the Company and he meets the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement. In terms of Clause 49 of the Listing Agreement, the details of directorships and committee positions held are annexed to this Notice.

A Notice in writing, has been received from a Member under Section 160 of the Companies Act, 2013 together with the requisite deposit, signifying intention to propose Mr. D. G. Prasad as a candidate for appointment as a Director

Mr. D.G.Prasad, aged 65 years is a Chartered Accountant. He was General Manager of Export Import Bank of India (EXIM Bank). He has wide and varied experience in commercial banking, project finance, international finance, corporate strategies, loan syndication, treasury management etc.,

A copy of the draft Letter of Appointment for Mr.D.G.Prasad, as an Independent Director setting out terms and conditions of his appointment, is available for inspection by the Members, at the Registered Office of the Company on all working days upto the date of Annual General Meeting.

None of the Directors and /or Key Managerial Personnel (KMP) and their relatives other than Mr.D.G.Prasad is concerned or interested, financially or otherwise in the said resolution.

The Board of Directors consider that the appointment of Mr.D. G. Prasad would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.8 of the Notice.

## Annual Report 2013 - 2014

---

### In respect of Item no.9

Pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013 read with General Circular No. 04/2014 dated March 25, 2014 issued by the Ministry of Corporate Affairs, the Ordinary Resolution earlier passed under Section 293(1) (d) of the Companies Act, 1956 will be valid for a period of one year from the date of notification of Section 180 of the Companies Act, 2013. It is therefore necessary to obtain a fresh consent of the members of the Company to enable the Board of Directors of the Company to borrow moneys [excluding temporary loans obtained from the Company's Bankers in the ordinary course of business] in excess of the aggregate of paid-up share capital and free reserves of the Company. The Board of Directors propose to keep the borrowing limit remain unchanged at Rs.500,00,00,000 (Rupees Five hundred Crores only).

None of the Directors and / or the Key Managerial Personnel and their relatives is in any way concerned or interested, financially or otherwise in the said Resolution except to the extent of their shareholding in the Company.

The Board commends the Special Resolution as set out at Item No.9 of the Notice for approval by the Members.

### In respect of Item no.10

Pursuant to the provisions of Section 180(1)(a) of the Companies Act, 2013, the Board of Directors can exercise such power to create mortgage and / or charge on the immovable and movable properties of the Company, only with the approval of Members of the Company by way of Special Resolution. It is, therefore, necessary for the Members to pass a Special Resolution under Section 180(1)(a) and other applicable provisions of the Companies Act, 2013 as set out in the item no.10 of the Notice, to enable the Board of Directors to create mortgage or charge on the movable or immovable properties. Accordingly, approval of the members is being sought.

None of the Directors and / or the Key Managerial Personnel and their relatives is in any way concerned or concerned, financially or otherwise in the said Resolution except to the extent of their shareholding in the Company.

The Board commends the Special Resolution as set out at Item No.10 of the Notice for approval by the Members.

Mumbai  
10<sup>th</sup> November, 2014.

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

For and on behalf of the  
Board of Directors

**H S Bhaskar**  
*Executive Director & CEO*

## 2. Information required to be furnished under Clause 49(VIII) (E)(1) of the Listing Agreement.

As required pursuant to Clause 49(VIII)(E)(1) of the Listing Agreement, the particulars of Directors, who are proposed to be re-appointed at this Annual General Meeting, are furnished below :

Name of the Director	Mr.Shapoor P Mistry	Mr. Pradip N. Kapadia	Mr.R.N.Jha
Date of Birth	6 <sup>th</sup> September, 1964	30 <sup>th</sup> September, 1951	2 <sup>nd</sup> July, 1939
Date of First Appointment	29 <sup>th</sup> November, 2006	12 <sup>th</sup> September, 2008	30 <sup>th</sup> January, 2009
Qualification	B.A. (England) – Business & Economics	B.A. LLB	B.A. (Hons.)
Relationships between directors inter-se	Promoter Director. Not related to Director(s) or Key Managerial Personnel(KMP) or relatives of Directors or KMP of the Company.	Not related to Director(s) or KMP or relatives of Directors or KMP of the Company.	Not related to Director(s) or KMP or relatives of Directors or KMP of the Company.
Expertise in specific functional areas	He is a Director of several Public Limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr. Pradip N.Kapadia is a Solicitor and Advocate and Partner of the law firm Vigil Juris. He is Director of several Public Limited Companies. He has expertise in legal matters as an Advocate.	Mr. R. N.Jha is a Management Consultant. He is Director of several Public Limited Companies and his expertise includes insurance, fund management, corporate planning and restructuring of projects, etc,
List of Public Limited Companies in which Directorship held as on 30 <sup>th</sup> September, 2014	<u>PUBLIC COMPANIES</u> 1.Afcons Infrastructure Ltd. 2. Forbes & Company Ltd., 3. Eureka Forbes Ltd. 4. Forvol International Services Ltd. 5. Shapoorji Pallonji Infrastructure Capital Co. Ltd. 6.Shapoorji Pallonji Finance Ltd. 7.Shapoorji Pallonji Power Co.Ltd. 8.The Indian Hotels Co Ltd.	<u>PUBLIC COMPANIES</u> 1. Afcons Infrastructure Ltd., 2. Mafatlal Industries Ltd., 3.Navin Fluorine International Ltd.,	<u>PUBLIC LIMITED COMPANIES</u> 1. S Kumars Online Ltd., 2. Next Gen Publishing Ltd.,
Member of the Board Committee	–	1. <u>Audit Committee</u> (a) Afcons Infrastructure Ltd., (b) Navin Fluorine International Ltd.,  2. <u>Stakeholders Relationship Committee</u> (a) Afcons Infrastructure Ltd., (b) Navin Fluorine International Ltd., (c) Mafatlal Industries Ltd.,	<u>Audit Committee</u> (a) Gokak Textiles Ltd., (b) S Kumars Online Ltd., (c) Next Gen.Publishing Ltd.,
No. of Shares held	Nil	Nil	Nil

Mumbai  
10<sup>th</sup> November, 2014.

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

For and on behalf of the  
Board of Directors

**H S Bhaskar**  
Executive Director & CEO

**Annual Report**  
**2013 - 2014**

**2. Information required to be furnished under Clause 49(VIII) (E)(1) of the Listing Agreement.**

As required pursuant to Clause 49(VIII)(E)(1) of the Listing Agreement, the particulars of Directors, who are proposed to be re-appointed at this Annual General Meeting, are furnished below :

<b>Name of the Director</b>	<b>Mr. Kaiwan Kalyaniwalla</b>	<b>Mr.D.G.Prasad</b>
Date of Birth	13 <sup>th</sup> August, 1964	30 <sup>th</sup> June, 1948
Date of First Appointment	24 <sup>th</sup> September, 2010	28 <sup>th</sup> May, 2012
Qualification	B.A. LLB	FCA
Relationships between directors inter-se	Not related to Director(s) or KMP or relatives of Directors or KMP of the Company.	Not related to Director(s) or KMP or relatives of Directors or KMP of the Company.
Expertise in specific functional areas	Mr. Kaiwan Kalyaniwalla is a Solicitor and Advocate of the Bombay High Court and Partner of the law firm of Maneksha & Sethna in Mumbai. He is on the board of various Indian and Foreign Companies and advises private sector corporate, multinational banks, logistics and shipping companies and some of India's largest property development companies and business houses.	Mr.D.G.Prasad is a Chartered Accountant and he is Director of several Public Limited Companies. He has wide and varied experience in commercial banking, project finance, international finance, corporate strategies, loan syndication, treasury management etc.,
List of Public Limited Companies in which Directorship held as on 30 <sup>th</sup> September, 2014	<u>PUBLIC COMPANIES</u> 1. Allcargo Logistics Ltd., 2. Hindustan Cargo Ltd., 3. Forbes & Company Ltd., 4. Gokak Power & Energy Ltd.,	<u>PUBLIC LIMITED</u> 1. Suven Life Sciences Ltd., 2. Natco Pharma Ltd., 3. AMW Component Ltd.
Member of the Board Committees	1. <u>Audit Committee</u> (a) Allcargo Logistics Ltd., (b) Forbes & Company Ltd., (c) Gokak Power & Energy Ltd., 2. <u>Stakeholders Relationship Committee</u> (a) Allcargo Logistics Ltd., (b) Forbes & Company Ltd.,	<u>Audit Committee</u> (a) Suven Life Sciences Ltd., (b) Natco Pharma Ltd., (c) AMW Component Ltd. (d) Gokak Textiles Ltd.,
No. of shares held	Nil	Nil

Mumbai  
10<sup>th</sup> November, 2014.

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

For and on behalf of the  
Board of Directors

**H S Bhaskar**  
Executive Director & CEO

## DIRECTORS' REPORT

To,

The Shareholders

Your Directors submit their Report and the Audited Accounts for the financial year from 01.10.2013 to 30.09.2014 ended on 30<sup>th</sup> September, 2014.

### 1. FINANCIAL RESULTS :

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

(Rs. In Crores)

	For the year from 01.10.2013 to 30.09.2014 ended September, 2014	For the year from 01.04.2012 to 30.09.2013 ended September, 2013
(a) Gross Income	344.13	359.53
(b) Less: Costs	<u>345.44</u>	<u>341.28</u>
(c) Balance	(1.31)	18.25
(d) Less: Interest and Financial Charges (Net)	<u>22.86</u>	<u>20.74</u>
(e) Balance	(24.17)	(2.49)
(f) Less: Depreciation	<u>10.35</u>	<u>10.43</u>
(g) Loss after depreciation carried to Balance Sheet	<u>(34.52)</u>	<u>(12.92)</u>
(h) Balance	(34.52)	(12.92)
(i) Add: Net Tax Credit	0.39	(1.60)
(j) Net Profit / loss for the year	(34.13)	(14.52)
(k) Add : Balance brought forward	(8.05)	6.47
(l) Balance carried to Balance Sheet	(42.18)	(8.05)

During the year under review, your Company has recorded gross income of Rs.344,13 Crores and the Net loss after tax of Rs.34.13 Crores. Due to the loss sustained by the Company, no amount has been transferred to the General Reserve. Your Company's performance review of the business /operations are covered in detail in the Management Discussion and Analysis Report, which is forming part of this Report.

The consolidated financial statements for the year ended 30<sup>th</sup> September, 2014 of the Company and its subsidiary together with the Auditors Report thereon are attached.

### 2. CHANGE OF FINANCIAL YEAR :

As per the provisions of Section 2(41) and other applicable provisions of the Companies Act, 2013 and Rules made thereunder, the Company has taken necessary steps to change the next financial year covering a period of 6 months i.e. from 1<sup>st</sup> October, 2014 to 31<sup>st</sup> March, 2015.

### 3. SHARE CAPITAL & DIVIDEND:

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

### 4. FIXED DEPOSITS :

During the year under review, your Company has not accepted any fixed deposits from the public and there is no outstanding fixed deposits as on date.

### 5. SUBSIDIARY COMPANY :

Your Company had formed a Subsidiary Company viz., 'Gokak Power & Energy Limited' on 17<sup>th</sup> January, 2012 and obtained a Certificate of Commencement of Business on 26<sup>th</sup> March, 2012. The main object of the subsidiary company is generation, transmission, distribution, trading of hydro power and other renewal and non-renewal sources of energy. The significant portion of power generation is used for captive consumption.

The Audited Statements of Accounts along with the Report of Board of Directors of Gokak Power & Energy Ltd., together with the Auditors' Report for the financial year from 01.10.2013 to 30.09.2014 are appended separately to this Annual Report.

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

### 6. KNITWEAR BUSINESS :

Members are aware that the company has already taken permission from the shareholders as required under section 180(1) (a) of the Companies Act, 2013 to sell the Knitwear business as a going concern. Presently, company is negotiating with the prospective buyers. In case the deal is finalised, company expects to complete the transaction during the year.

### 7. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

#### 7.1 Industry Structure and Development :

7.1.1. There has never been a continuous positive growth rate in textile products for a long time. Sometimes it was treated as cyclical ups and downs & sometimes the demand adversaries have really dented the growth. During previous two fiscal years, textile sector has shown satisfactory production growth rates when most manufacturing sectors have shown stagnation or deceleration. The textile sector has got some respite from rise in domestic demand and increased supply of yarns to countries like China and Bangladesh keeping the demand and supply balance intact. However, during the latter part of the financial year, export of yarn to China from Indian textile mills has substantially come down resulting in excess stock of yarn with most of the textile units forcing the industry to sell the yarn at lower prices. Prices have almost dropped between 10 – 20% depending on the product mix.

In the financial year 2014, the capacity of spindles in the mill sector has increased by 0.60 million which is around 1.5 percentage growth. The number of spindles increased from 44.17 million in March '2013 to 44.77 million in March '2014. The number of looms remained unchanged. Rotor spinning capacity registered a growth of around 4.0 percentages over a year. It has gone up from 546000 in 2013 to 553000 in the year 2014.

The provisional estimates show that the spun yarn production has increased from 4847 million kg in 2012-13 to 5315 million kg in 2013-14, that is, increment of 468 million kg or 8.8 in percentages terms. The productions of cotton yarn, blended yarn and 100% non-cotton spun yarn have registered positive growth rates of 9.4 per cent, 8.0 per cent and 5.5 per cent respectively during the year. The estimates show that the Cotton yarn production has increased by 371 million kg from the level of production of 3564 million kg in financial year

## Annual Report 2013 - 2014

2013 to 3935 Million Kg in financial year 2014. Blended yarn production is estimated to increase by 72 million kg and the 100% non-cotton yarn has increased by 27 million kg during financial year 2014. The share of cotton yarn under spun yarn category has increased from 73.5% to 74%.

7.1.2 The cotton economy of India witnessed unprecedented volatility during the year 2010-11. This affected the textile mills very badly due to stock write-off which resulted in textile mills facing huge losses. During the cotton year 2014, cotton prices remained almost stable but in line with the fall of commodity prices. Cotton prices also declined internationally which resulted in continuous decline of cotton prices in the last quarter which once again has affected the sentiments of the textile segment especially yarn & also resulted in stock write-offs. The cotton consumption for both Mill sector and SSI sector has increased during the year due to high volume of yarn production in the country. During the year the total cotton crop was 390 lacs bales as against the estimation of 365 lacs bales. Out of this, the total mill consumption was 287 lacs bales as against the previous year's mill consumption of 283 lacs bales which is barely an increase of 1.3%, which shows that mills were carrying excess opening stocks of cotton and the balance is made up from imports. The export of cotton has gone up by 13% to 114 lacs bales as compared to previous year's export quantity of 101 lacs bales. For the current cotton year the expected cotton crop is 425 lacs bales, which will make India a 2<sup>nd</sup> largest producer of cotton in the world next only to China. The prices of cotton are at subdued level during the commencement of cotton year 2014 – 15. Even cotton future market is not showing any signs of positive trend. Barring undue force measures, cotton prices are expected to be stable during the cotton year 2014 – 15.

7.1.3 During the initial period of the financial year, trend of yarn market was positive, but at later stages, yarn market became very volatile. The main demand for yarn apart from domestic consumption was from China and Bangladesh. In the initial months of the current year the textile products export grew by 16%.

The yarn, fabric and made-ups' export grew by 18%. However in the later part of the year the import by China of yarn fell substantially which severely affected the domestic prices of yarn by almost 15% to 25% depending on the product mix. China became one of the largest importer of yarn from India giving rise to growth of 60% by value as compared to previous financial year. However, overall export to China is at 7% of India's total export of textile products. US still remains the largest importer of textile products from India.

7.1.4 Overall the Indian cotton quality has improved over the years, but due to adulteration of lower variety of cotton with higher variety of cotton has become a concern for yarn spinners. Cotton crop has yielded good results to the agricultural sector as a result of which the holding power of the farmers has substantially increased which has resulted in hoarding & volatility in prices.

7.1.5 Technical textiles: The market for overall technical textiles is improving, but the major growth of this is coming from non-woven segments and from fabrics made out of filament yarn. Under spun quality, the demand for technical textiles is improving, but very moderately. Company's efforts to improve

the volume of yarn for technical textiles are continued and expect the benefit to accrue in future years.

### 7.2 Opportunities and Treats :

7.2.1. Rainfall across the county is satisfactory. As cotton is yielding higher returns to farmers, the acreage under cotton cultivation is growing year by year. The cotton crop is expected to touch 425 lacs bales during the present cotton year which is approximately 10% increase as compared to the previous cotton year. In line with international cotton prices, Indian cotton price were also expected to be lower during the current cotton year. However, volatility may creep in if the demand for export of cotton increases substantially the possibility of which as on date appears to be remote. In view of this, the mills may not face any shortage of cotton but the concern about availability of quality cotton throughout the year may remain. Industry also is not foreseeing any problem in man-made fibers from within the country and hence the raw material position will be comfortable. Prices of man-made fibers is also expected to come down due to low crude prices internationally.

7.2.2. After the supreme court verdict cancelling coal allocation, coal mining may for some time come to a standstill and as a result of which there may be severe shortage of fuel for the thermal power plants. This may result in underutilization of thermal plant giving rise to power shortage.

The company's production facilities are set up in Karnataka whose coal allocation has also been cancelled as a result of which state run power plants are facing shortage of coal resulting into unscheduled power cuts. The power situation may worsen once the hydro power generation goes down during the summer. Power purchase even under open access category is also becoming difficult considering this fact; utilization of the plant may decline necessitating company to aggressively adopt suitable product mix.

7.2.3 Most of the manufacturers of Dyes & Chemicals have started manufacturing Dyes and Chemicals which are environment friendly. This has resulted into steep increase in the cost of Dyes & Chemicals which the company is unable to pass it on to the customers due to supply far exceeding demand.

Due to shortage of water in the past, company was unable to meet the requirement of dyed yarn for its customers during the summer months. This has also affected the sentiment of the customers and hence utilization of dyeing plant has come down. Company is putting additional efforts to increase the utilization of dyeing plant by diversifying its product mix to other segments.

7.2.4. Availability of man power has become a major concern in all the industry and Textile being a labour intensive, the effect of shortage of labour will always be severe. During the year, company faced severe shortage of labour due to which the capacity utilization and productivity were severely affected impacting all cost elements. If the company were to maintain its budgeted output, performance of the Company would have been better. The company is putting extra efforts to augment the labour shortage by various HR initiatives.

7.2.5. Due to steep increase in cost of living, the Dearness allowances are increasing every year steeply resulting into company specific escalation of employee cost, which will have to be absorbed by improved productivity.



7.2.6. The company has continuing the manufacture of yarn from specialty fibers which are high contributing. Few of these fibers as on date are made available to the company by the end use sellers. The burden on working capital is reduced to that extent. The company is able to meet the requirement of product specification of customers and it is expected in coming year the business from this may increase.

7.2.7. There will be increase in the maintenance cost of plant & machinery as we will not be able to modernize the plant due to increased financial cost.

### **7.3 Segment –wise product wise performance :**

7.3.1 During the year under review, the sale value of production has increased, but the same is in line with in-put cost. Company is a major player in recycled yarn for various end-users. Even though, for the current financial year, company has sustained both volume and value, the business is under threat due to shift of the product to different synthetic filament yarns. Hence company is diversifying the product mix, in the recycled yarn segment to sustain the present activities.

In the dyed yarn production segment, there is a increase of around 7% turn over in value terms, but in quantity terms, it is stagnant. Additional efforts are being made to sell these products to other segment so that capacity utilization can be increased in years to come.

In line with the yarn volatility, canvas fabric price were also volatile and hence the cotton canvass turnover has reduced in the current financial year. Company has reserved certain products of canvass only for export market. As the demand for these products made by the company is not picking up in Europe and other continents, company has released these products to local markets. The turnover of this business may go up as a result of upgraded product mix.

7.3.2. Due to fall in the international prices of yarn the price realization from domestic sales were better than export prices. Further the demand in the international market also has come down due to decrease of yarn import from China during the latter part of the financial year. This, as stated earlier has brought in severe imbalance between supply and demand.

### **7.4 Business outlook :**

7.4.1 The availability of quality cotton is expected to better this year as the cotton crop is expected to go up by approx..10%. If lack of demand for cotton from china persists, the country will have higher closing stocks of cotton as a result of which, cotton prices may remain stable. The prices prevailing in the cotton future market is a fair indication of negative trend, but speculators will continue to play a major role in the market which may result in the volatility. Hence the timing of buying and storing sufficient quantity of cotton becomes very critical as it will affect the bottom line directly. The domestic consumption may remain stagnant till the yarn prices becomes attractive for the spinners.

7.4.2. The specialty fibers and its product are in demand mainly in developed nations. These products hitherto are manufactured by these countries are slowly moving to developing nations due to cost advantage. As company has already developed, the process to manufacture these products, it is expected that company will take a substantial share of manufacturing these products, which will result into higher contribution. Further the company will continue to invest money in development

of new product which in turn generate higher revenue for the company.

7.4.3. The challenges of availability of energy and man power at competitive price will continue to be a challenge. The shortage of coal may affect severely the power generation in the country as a whole and as a result, power cost may go up. In view of this the company will continue its effort in conserving the energy. The company will continue to put its extra efforts in augmenting the labour shortages which will result into high utilization consequently giving rise to over all contributions.

**Diversification :** Company has entered into Memorandum of Understanding with Government of Karnataka for developing integrated Industrial township at Gokak falls making use of the land available. Company has now submitted a project report to the authorities and company expects to receive the required approvals under single window clearance set up by the Sate Government.

### **7.5. Risks and Concerns :**

The company has drawn and put in place a comprehensive Risk Management Policy to asses and mitigate various risks. The Company wide awareness of risk management policies and practices is being inculcated to minimize the adverse effect of risks on the operating results and the subject of management of risks are being approached in a planned and co-ordinated manner. The acceptability of cotton as premium product can only enhance value perception of the yarn and knitwear we produce. The Company is accelerating this process by moving up the value chain by well researched and designed products. Company has taken several steps to introduce high performance fibres to move up in the value chain and in-house research in developing these products commercially has been a success.

### **7.6. Internal Control Systems and their adequacy :**

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

### **7.7. Discussion on financial performance with respect to operational performance :**

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

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

In the past few years, as the job market has opened widely, the demand for talents has been continuously rising and continuous

## Annual Report 2013 - 2014

---

learning has therefore become inevitable. As such, the Company continued thrust on Human Asset Management and Development activity. In order to cope with this requirement for talent, apart from locating talents from outside market wherever necessary, the Company also focused on the activity of nurturing and developing its human capital from within, by the process of training and upgrading competence level.

On the Industrial Relations front, a cordial relationship has been maintained with the workmen and their Union and there has not been any loss of man hours in the manufacturing units. Your Company has put in place a series of HRD measures including appraisal of employees, recognition and reward for good work, developing career plans, training etc.,. In the context of the changing business scenario, professional competence and skills are being nurtured keeping the growth perspective in mind. Your Company has successfully introduced Internal Auditors for ISO 9001 from the workmen category which was a very successful effort put in by the Management. Apart from this, a team of workers have been formed as change agents who are very active in training other co-workers in many aspects of shop floor functioning. These efforts have started yielding intangible results and it is expected that continuation of such efforts will start yielding tangible results too, in future.

### 7.9 Cautionary Statement:

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

### 8. DIRECTORS :

Directors wish to report that the Export Import Bank of India had withdrawn nomination of Ms.Rima Marphatia with effect from 10<sup>th</sup> January, 2014 and Mr.C.G.Shah resigned as a Director with effect from 30<sup>th</sup> September, 2014. The Board places on record, their appreciation for the services rendered and contribution made by Ms.Rima Marphatia and Mr.C.G.Shah during their tenure.

During the year under review, 7 (seven) Board meetings were held on 16.10.2013, 07.11.2013, 12.02.2014, 13.05.2014, 13.06.2014, 19.06.2014 and 13.08.2014. The gap between two consecutive Board Meetings was not more than 120 days.

In terms of the provisions of Section 149,152 and all other applicable provisions, if any, of the Companies Act, 2013, Mr.Shapoor P Mistry, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Your directors recommend the re-appointment of Mr.Shapoor P. Mistry.

As per the provisions of Section 149,150,152 and other applicable provisions of the Companies Act, 2013 read with Schedule IV of the Act, it is proposed to appoint Mr.Pradip N. Kapadia, Mr.Kaiwan Kalyaniwalla and Mr.D.G.Prasad as Independent Directors of the Company for a term of 5

consecutive years with effect from 29<sup>th</sup> December, 2014 and Mr.R.N.Jha, as an Independent Director for a term of One year respectively. They shall not be liable to retire by rotation. They have given declarations to the Company in terms of provisions of Section 149(6) of the Companies Act, 2013 read with Schedule IV of the Act, and they meet the criteria of independence. The above said Directors were appointed as Independent Directors under Clause 49 of the Listing Agreement. However, the provisions of Section 149(6) read with Schedule IV requires them to be appointed as Independent Directors under the Companies Act, 2013. Accordingly, resolutions for approval of appointment of Independent Directors form part of the Notice of the Annual General Meeting.

Particulars of Directors, who are proposed to be appointed /re-appointed at the ensuing Annual General Meeting are furnished as a separate statement Annexed to the Explanatory Statement of the Notice.

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

### 9. CORPORATE GOVERNANCE :

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

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

### 10. RELATED PARTY TRANSACTIONS :

During the year under review, there were no contracts or arrangements or transactions entered into which are not at arm's length basis. Your Company has formed a policy on dealing with Related Party Transactions which has been disclosed on its website [www.gokakmills.com](http://www.gokakmills.com)

### 11. DIRECTORS RESPONSIBILITY STATEMENT :

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

- a. in the preparation of the annual accounts for the financial year from 01.10.2013 to 30.09.2014, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b. that they have selected such accounting policies and applied them consistently and made 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 01.10.2013 to 30.09.2014 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.

**12. AUDITORS AND AUDIT REPORT :**

Messrs. Kalyaniwalla & Mistry, Chartered Accountants, Statutory Auditors of the Company and Messrs. H. B. Murugesh & Company, Chartered Accountants, Branch Auditors of the Company to conduct audit of Forbes Campbell Knitwear Division of the Company are proposed to be re-appointed from the conclusion of this Annual General Meeting till the conclusion of 11<sup>th</sup> Annual General Meeting of the Company to be held in the year 2017, and they are eligible for re-appointment. Audit Committee have recommended re-appointment of Auditors. Your Directors commend their re-appointment subject to ratification of their appointment by the Members at every Annual General Meeting held after this Annual General Meeting. The Audit Report forms part of this Annual Report.

We draw the attention of Members to point no.10 of the Annexure to the Auditor's Report. In this regard, we would like to mention that with the improved production, improved labour attendance and stable cotton price, the financial position may improve during the following year/s.

**13. COST AUDITORS :**

The Board of Directors have appointed Messrs. A G Anikhindi & Co., Cost Accountants, 1730, Rajarampuri, 6<sup>th</sup> Lane, Kolhapur-416008 Maharashtra State as Cost Auditors of the Company to conduct the cost audit for the financial year from 01.10.2013 to 30.09.2014. Necessary books of accounts and cost records as applicable to the Textiles activities of the Company have been maintained. In accordance with the Cost Audit (Report) Rules, 2011, the Cost Audit Report of the Company for the financial year ended 30<sup>th</sup> September, 2013 was filed in XBRL on 25<sup>th</sup> March, 2014 with the Ministry of Corporate Affairs. The Companies (Cost Records and Audit) Rules 2014 have not mandated the Company to have a Cost Audit for the current financial year and onwards.

**14. CORPORATE SOCIAL RESPONSIBILITY :**

During the year under review, as per the provisions of Section 135(1) of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has formed Corporate Social Responsibility Committee of the Directors comprising of Mr.Kaiwan Kalyaniwalla, Mr.Pradip N. Kapadia and Mr.Vasant Sanzgiri to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013. Due to net loss, your Company has not earmarked any amount on CSR Activities. However, since inception, 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. Your Company is re-cycling all the process waste and manufacture quality yarns and other products for both local and export markets which greatly helped in reduction of carbon-emission.

Your Company has always strived to increase its output to input ratio which once again reduces carbon-emission.

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

In terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988. The particulars of conservation of energy, technology absorption, research and development, foreign exchange earnings and outgo are set out as an Annexure to this report.

**16. PARTICULARS OF EMPLOYEES :**

There are no such particulars to be furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011. During the year 2013-14, the Company has not employed anyone with a remuneration of Rs.60 lakhs or more per annum.

**17. LISTING OF SHARES :**

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

**18. ACKNOWLEDGEMENT :**

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

For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
*Chairman*

Mumbai  
17<sup>th</sup> November, 2014.

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

**Annual Report**  
**2013 - 2014**

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

**(A) Conservation of Energy**

Measures taken during the year include the following:-

(a) ENERGY CONSERVATION MEASURES TAKEN FOR THE YEAR 2013 –14

1. Provision of front stop motion to speed frame machines and enabling stopping pneumafil fan motors to save power
2. Installation of APFC panels and converting some old manual APFC panels to auto mode.
3. Re- arrangement of lighting circuits to switch off the lights
4. Time optimization of overhead cleaner motors of ring frame machines for power saving
5. Refurbishing of 224 Kg dyeing machine enabling power saving.
6. Replacement of conventional street light fittings with LED lights to conserve energy.

(b) ADDITIONAL INVESTMENT PROPOSALS 2014-2015

1. Replacement of lower efficiency motor to high efficiency motors
2. By modification of existing coal crusher to high efficiency one by which one shift coal conveying system can be stopped.
3. Installation of power transformers near to load center for Mill. No. 1,2 & 3.
4. Replacement of power feeding from Grid power house to 2 Mill by increasing the cross section.
5. Automation of 12 TPH boiler.
6. Refurbishing of old 224 kg dyeing machine.
7. Replacement of 448 kg dyeing machine motor by inverter drive motor.

(c) **IMPACT OF MEASURES TAKEN AT (A) ABOVE FOR REDUCTION OF ENERGY CONSUMPTION AND IMPACT ON COST OF GOODS :**

1. The Company's operations involve low energy consumption. Efforts to conserve and optimize use of energy through operational methods will continue.

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

**(B) Technology Absorption :**

Required details are set out in Form 'B'

**(C) Foreign Exchange earnings and outgo:**

<b>(a) Foreign exchange earnings :</b>	<b>(Rs. Crores)</b>
1. Exports	26.85
2. Commission	—
<b>Total</b>	<u>26.85</u>

<b>(b) Foreign exchange outgo :</b>	<b>(Rs. Crores)</b>
1. Imports calculated on CIF basis – raw material	1.20
2. Imports calculated on CIF basis – stores, spares and tools	1.77
3. Imports calculated on CIF basis – capital goods	0.73
4. Commission to overseas agents	0.26
5. Foreign travel	—
6. Royalty	—
7. Interest	—
8. Others	0.09
<b>Total</b>	<u>4.05</u>

**FORM - A**  
(See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

<b>(A) Power and Fuel Consumption :</b>	<b>Current year ended 30-09-2014</b>	Previous year ended 30-09-2013
<b>1. Electricity</b>		
<b>(a) Purchased</b>		
Unit	‘000 kwh	78,483.71
Total Amount	Rs.in Lakhs	4,250.15
Rate / unit	Rs.	5.42
<b>(b) Own Generation</b>		
Through Diesel Generator Unit	000 kwh	6.63
Unit/Litre of Diesel oil	kwh	4.20
Cost/unit	Rs.	12.26
<b>2. Coal (Steam-coal-used in Boilers)</b>		
(a) Quantity	Tonnes	5,796.21
(b) Total Cost	Rs.in Lakhs	391.89
(c) Average rate / tonne	Rs.	6,761.15
<b>3. Diesel (Used in Generator)</b>		
(a) Quantity	‘000 Litre	–
(b) Total Cost	Rs.Lakhs	–
(c) Average rate per kilolitre	Rs.	16.40
<b>4. Diesel (Used in Thermic Fluid Heater)</b>		
(a) Quantity	‘000 Litre	–
(b) Total Cost	Rs.Lakhs	–
(c) Average rate per kilolitre	Rs.	–
<b>5. Furnance Oil</b>		Nil
<b>6. H.F.O. Power Generation</b>		
Units	‘000 kwh	0.00
Total Amount	Rs.in Lakhs	0.00
Rate / unit	Rs.	0.00
<b>7. Others/Internal Generation</b>		
<b>(i) Bagasse/Paddy Husk</b>		
(a) Quantity	Tonnes	–
(b) Total Cost	Rs.in Lakhs	2,443.70
(c) Average rate / tonne	Rs.	81.55
<b>(ii) Gas</b>		
(a) Quantity	1000 M <sup>3</sup>	–
(b) Total Cost	Rs.in Lakhs	–
(c) Average rate/M <sup>3</sup>	Rs.	–
<b>(iii) Water (for Hydro-Generating Sets)</b>		
(a) Quantity	Cusec	0.00
(b) Total Cost	Rs.in Lakhs	0.00
(c) Average rate / cusec	Rs.	0.00

<b>(B) Consumption per Unit of production :</b>	<b>Standard if any</b>	<b>Current Year</b>	Previous Year	Reasons for variation	
<b>Product : Yarn/Canvas/Terry Towel / Knitted Garments</b>					
<b>Unit of Production :Kg./Pieces</b>					
1. Electricity	Kwh	–	4.35	4.17	#
2. Coal	Kg.	–	0.33	0.42	#
3. Diesel	Ltrs.	–	0.00	–	#
4. Diesel for Thermic Fluid	Ltrs.	–	–	–	#
5. Furnance Oil	Ltrs.	–	–	–	#
6. Bagasee/Paddy Husk	Kg.	–	0.00	0.01	#
7. Gas	M <sup>3</sup>	–	–	–	#
8. Water	Cusec	–	0.000	0.000	#

# Due to change in composition of alternative Input, Production Pattern, Product-mix and Lower Capacity utilisation

**Annual Report**  
**2013 - 2014**

**FORM B**  
(See Rule 2)

**Form for disclosure of particulars with respect to Technology Absorption**

**(A) Research and Development (R&D) 2013-2014**

- |  |   |                 |  |
|--|---|-----------------|--|
| 1. Specific areas in which carried out R&D by the Company  | : | This includes - |  |
|  |   | a)              | Introduction of new fibres/products like<br>* YOYO samples prepared for export market. 2/2 K and 42 Bamboo/Cotton combed slub for higher end market.<br>* Optimisation of fibre properties and process parameters for spinning 40 cwp compact with lower imperfections and higher yarn strength suitable for yarn dyed shirting. |
| 2. Benefits derived as a result of the above R&D:          |   | a.              | All new products developed by R&D are given to marketing for commercialisation.  |
|  |   | b.              | With the introduction of new products we have been able to cater to diversified and exclusive market, which has resulted in value added products.  |
| 3. Future course of action:                                |   | a.              | Special fibres for sports wear end use.  |
| 4. Expenditure on R & D:                                   |   |                 | (Rs. in Lakhs)   |
| a) Capital   |   |                 | 59.43  |
| b) Recurring   |   |                 | 96.82  |
| c) Total   |   |                 | <u>156.25</u>  |
| d) Total R & D expenditure as percentage of total turnover |   |                 | 0.46%  |

**(B) Technology Absorption, Adaptation and Innovation :**

- |   |   |   |
|---|---|---|
| 1. Efforts in brief, made towards technology absorption, adaptation and innovation.   | : | Nil   |
| 2. Benefits derived as a result of the above.   | : | Nil   |
| 3. In case of import of technology (imported during the last 5 years reckoned from the beginning of the financial year) the following information may be furnished. |   |   |
| a) Technology imported  | : | High volume instrument for cotton parameters testing. |
| b) Year of import.  | : | 2014  |
| c) Has technology been fully absorbed.  | : | Yes   |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.  | : | -   |

## 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 30<sup>th</sup> September, 2014, the Board comprises of 8 Directors, including Non-Executive Promoter as Chairman. Out of them, 4 are Independent Directors, 3 are Non-executive Directors and one Executive Director viz whole time Director. The Company is managed by Whole-time Director under the supervision, director 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 Clause 49-IIA of the Listing Agreement entered into with Bombay Stock Exchange Ltd.,

#### (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 fulfill 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 Clause 49 of the Listing Agreement 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 behavior, ensure transparency in corporate dealings and compliance with the laws and regulations.

#### (c) Board Meetings

The Board meets at least once in a quarter, inter-alia, to review quarterly financial results and operations of the Company. 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.

During the year under review, 7 (seven) Board meetings were held on 16.10.2013, 07.11.2013, 12.02.2014, 13.05.2014, 13.06.2014, 19.06.2014 and 13.08.2014. The gap between two consecutive Board Meetings was not more than 120 days.

The names and categories of the Directors on the Board and the details of the Board of Directors in terms of their directorships held, number of meetings attended during their tenure, no. of shares held, their relationship with other Directors, their Memberships/ Chairmanships and attendance at the AGM are as under.

**Annual Report**  
**2013 - 2014**

Sl. NO.	Name of the Directors	Category	Number of board Meetings During at 2013-2014		Attendance AGM held on	Number of shares held	Relationship with other Director	No. of Directorships in other Public Companies	No. of Committee Positions held in Public Companies including GTL	
			Held	Attended					Chairman	Member
1	Shri. Shapoor P Mistry	Non-Executive Promoter	7	6	No	-	Not Related	8	-	-
2	Shri. H.S. Bhaskar	Executive	7	6	Yes	10	Not Related	1	-	-
3	Shri. Ashok Barat	Non-Executive Non Independent	7	6	No	-	Not Related	10	1	4
4	Shri. C G Shah #	Non-Executive Non Independent	7	7	Yes	7	Not Related	1	-	1
5	Shri. Pradip N Kapadia	Independent	7	7	Yes	-	Not Related	3	3	2
6	Shri. R.N. Jha	Independent	7	7	Yes	-	Not Related	2	2	1
7	Shri. Kaiwan Kalyaniwalla	Independent	7	5	Yes	-	Not Related	4	3	2
8	Shri. Vasant Sanzgiri	Non-Executive Non Independent	7	6	No	-	Not Related	1	-	1
9	Shri. D.G Prasad	Independent	7	4	No	-	Not Related	3	1	3

# Resigned with effect from 30.09.2014

**3. 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 Executive Director & CEO, Chief Financial Officers are permanent invitees 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. 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.

(iii) Meetings and Attendance :

During the year under review, the 4 (four) meetings were held on 07.11.2013, 12.02.2014, 13.05.2014, and 13.08.2014. The gap between two consecutive Audit Committee Meetings was not more than 120 days.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 24<sup>th</sup> December, 2013

(iv) The Composition, name of Members and Chairperson 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.	Shri. R.N. Jha	Chairman	Independent	4	4
2.	Shri. Ashok Barat	Member	Non-Executive Non Independent	4	3
3.	Shri. D.G.Prasad	Member	Independent	4	4

Mr.K Ramananda Pai, Company Secretary acts as the Secretary to the Audit Committee.

**4. Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee is responsible for determining the compensation payable to Managing Director and Wholetime 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.
- Reviewing and determining all elements of remuneration package striking the balance between the interest of the Company and the shareholders
- 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, 2 Meetings were held on 13.05.2014 and 13.08.2014. Composition, name of Members and Chairperson 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.	Shri.Shapoor P.Mistry	Chairman	Non-Executive Non-Independent	2	1
2.	Mr.R.N.Jha	Member	Independent	2	2
3.	Shri .Kaiwan Kalyaniwlla	Member	Independent	2	2

## Annual Report 2013 - 2014

(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 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.

(A) Sitting fees has been to the Non-executive / Independent Directors for attending Board/ Committee Meetings are as under :

Name of Director	Directors' fees Rs.	Commission paid	Total Rs.
Mr. Shapoor P. Mistry	60000	Nil	60000
Mr. Ashok Barat	90000	Nil	90000
Mr. C. G. Shah	70000	Nil	70000
Mr. Pradip N. Kapadia	70000	Nil	70000
Mr. R.N.Jha	110000	Nil	110000
Mr. Kaiwan Kalyaniwalla	50000	Nil	50000
Mr. Vasant Sanzgiri	60000	Nil	60000
Mr. D.G. Prasad	80000	Nil	80000

(B) Remuneration paid to Whole time Director designated as Executive Director & CEO, during the year 2013-14

Salary and allowance	34,29,632
Benefits and perquisites	1,00,000
Bonus/Commission*	12,00,000
<b>Total</b>	<b>47,29,632</b>
PF& Superannuation Fund	3,57,952

\* 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.

The Service Contract is for a period of 3 years from 31.07.2013 to 30.07.2016 subject to retirement policy of the Company. The Notice period is six months and there is no severance fee. There is no stock option.

**5. Stakeholders Relationship Committee :**

The Stakeholders Relationship Committee comprises of 3 Directors. Mr.Shapoor P. Mistry is the Non-executive Chairman of the Committee and other Members are Mr.H.S.Bhaskar, Executive Director and Mr.Ashok Barat, Non-executive Member. The Committee will consider and resolve the grievances of shareholders. The Committee look 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..

Mr.K RamanandaPai, Company Secretary acts as Compliance Officer.

There is no unresolved complaint as on 30<sup>th</sup> September, 2014.

**6. 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 13<sup>th</sup> August, 2014. The Committee comprises 3 Members viz. Mr.Kaiwan Kalyaniwalla, Independent Director, Mr.Pradip N. Kapadia Independent Director and Mr.Vasant Sanzgiri, Non-executive Non-Independent Director. The CSR Committee will formulate and monitor the CSR Policy of the Company and other policy.

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 30<sup>th</sup> September, 2014.

#### **7. 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](http://www.gokakmills.com). All Board members and Senior Management have confirmed compliance with the Code for the financial year from 01.10.2013 to 30.09.2014. The Annual Report contains a declaration to this effect signed by the Executive Director & CEO.

#### **8. Whistle Blower Policy :**

The Company has established vigil mechanism for directors and employees to report concerns about unethical behavior, 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](http://www.gokakmills.com). The Company affirms that no personnel has been denied access to the Audit Committee.

#### **9. Subsidiary Company :**

The Company has a material, non-listed, Indian subsidiary company viz., Gokak Power & Energy Ltd., One Independent Director of the holding company is also an Independent Director on the 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 listed holding company.

#### **10. Risk Management :**

The Company has a comprehensive risk management policy. The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are 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 Report.

#### **11. Disclosures :**

##### **(a) Basis of Related Party transactions:**

No materially significant related party transactions have 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.

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 to the Financial Statements in the Annual Report.

##### **(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 not raised any proceeds from public issue, rights issue or preferential issue.

##### **(d) Management Discussion and Analysis Report:**

Management Discussion and Analysis Report is forming part of the Annual Report and is in accordance with the requirement laid down in the Listing Agreement.

#### **12. Compliance :**

- (i) Certificate from the Practicing Company Secretary confirming with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Bombay Stock Exchange Ltd., 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 years.
- (iii) Details of Directors seeking appointment, re-appointment has been provided in the annexure to the Notice of the Annual General Meeting.

## Annual Report 2013 - 2014

### 13. CEO/CFO Certification:

As required by the Clause 49 of the Listing Agreement, the Certificate from Mr. H.S.Bhaskar, Executive Director & CEO and Mr.Govinda R. Kadekar, Chief Financial Officer was placed before the Board of Directors at their meeting held on 10<sup>th</sup> November 2014.

### 14. Status of compliance of Non-mandatory requirement:

- (a) A separate office is maintained for Non-executive Chairman who is also the Chairman of the Group Companies.
- (b) Financial performance including summary of significant events has been sent to Stock Exchanges, financial results on quarterly and annual basis are published in the national daily and regional news papers and uploaded on the Company's website. No separate declaration on half yearly performance are sent to the shareholders.
- (c) The Company is having separate persons for the post of Chairman and Whole time Director.
- (d) Internal Auditors, appointed by the Company are directly reporting to the Audit Committee.

### 15. General Body Meetings:

#### (i) Details of Annual General Meetings

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

AGM	Date of the AGM	Time	Venue
5 <sup>th</sup> AGM	25.08.2011	2.00 p.m.	Khincha Hall, Bharatiya Vidya Bhavan Race Course Road, Bangalore -560 001
6 <sup>th</sup> AGM	29.11.2012	3.00 p.m.	Khincha Hall, Bharatiya Vidya Bhavan Race Course Road, Bangalore -560 001
7 <sup>th</sup> AGM	24.12.2013	3.00 p.m.	Khincha Hall, Bharatiya Vidya Bhavan Race Course Road, Bangalore -560 001

#### (ii) Details of special resolutions passed in the previous 3 AGMs :

5 <sup>th</sup> AGM dated 25 <sup>th</sup> August, 2011	No Special Resolution was passed.
6 <sup>th</sup> AGM dated 29 <sup>th</sup> November, 2012	No Special Resolution was passed.
7 <sup>th</sup> AGM dated 24 <sup>th</sup> December, 2013	Reappointment of Mr.H.S.Bhaskar, Executive Director and CEO as Wholetime Director for a period of 3 years from 31.07.2013 to 30.07.2016

#### (iii) (a) Whether any special resolution passed last year through postal ballot : Yes

During the year 2013-14, a Special Resolution under Section 180(1)(a) of the Companies Act, 2013 was put through postal ballot on 16.10.2013 for sale/transfer of the Knitwear Business of the Company.

#### (b) Details of votingpattern :

Particulars	No. of Postal Ballot Forms	No. of Shares	% of Total Paid-up Equity Capital	% of total valid votes polled
a. Total postal ballot forms received	312	4821768	74.19%	XX
b. Less : Invalid postal ballot forms (as per register)c.	50	2655	0.04%	XX
d. Net valid postal ballot forms (as per register) e.	262	4819113	74.15%	100%
f. Postal ballot forms with assent for the Resolutiong.	244	4817142	74.12%	99.95%
h. Postal ballot forms with dissent for the Resolution	18	1971	0.03%	0.05%

PS: the percentages have been rounded off to the nearest two decimal places.

Particulars	No. of Postal Ballot Forms	No. of Shares	% of Total Paid-up Equity Capital	% of total valid votes polled
a. Total postal ballot forms received from Promoters	1	4780845	73.56%	XX
b. Total valid postal ballot forms received from Non-promoters	261	38268	0.59%	100%
c. Valid Postal ballot forms with assent for the Resolution	243	36297	0.56%	94.85%
d. Valid Postal ballot forms with dissent for the Resolution	18	1971	0.03%	5.15%

PS: the percentages have been rounded off to the nearest two decimal places.

(c) Person who conducted the postal ballot exercise	Mr.B.S.Srinivas, Practising Company Secretary
(d) Whether any special resolution is proposed to be conducted through postal ballot	No
(e) Procedure for postal ballot	Procedure for conducting postal ballot has been complied with. A Notice dated 16.10.2013 of postal ballot was sent to all the Shareholders and the results were announced on 5 <sup>th</sup> December, 2013.

#### 16. 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](http://www.gokakmills.com) and also made available to the Bombay Stock Exchange Ltd., in the prescribed form which would enable them to place it on their website i.e. [www.bseindia.com](http://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.

#### 17. General Shareholder Information :

a Annual General Meeting Date, time and venue	29 <sup>th</sup> December, 2014 at 3.00 p.m.Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore -560 001
b Financial year	From 01.10.2013 to 30.09.2014 (2013-14)
c Date of Book Closure	22 <sup>nd</sup> December, 2014 to 29 <sup>th</sup> December, 2014(both days inclusive)
d Dividend Payment date	Board has not recommended any dividend
e Listing on Stock Exchanges	Listing on Stock Exchanges
f Stock Code	Stock code of the Company allotted by Bombay Stock Exchange Ltd., Mumbai is 532957 and ISIN allotted under the dematerialization Procedure is INE642101014

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

The shares of the Company were listed on the Bombay Stock Exchange Ltd. and the Market price data i.e. high/low during each month of the financial year for the share of face value of Rs.10 each are as under:

**Annual Report**  
**2013 - 2014**

Month and Year	High Rs.	Low Rs.
Oct.2013	40.30	30.80
Nov.2013	40.80	35.05
Dec.2013	42.00	36.70
Jan.2014	40.00	30.65
Feb.2014	34.00	28.50
March.2014	32.35	26.00
April.2014	34.35	26.65
May.2014	37.65	28.75
June.2014	79.90	31.00
July.2014	83.85	55.00
August.2014	59.85	52.25
September.2014	63.90	56.00

h. Registrars and Share Transfer Agents :

Shares of the Company held in physical form can be transferred by lodging Transfer Deeds and Share Certificates with Registrars and Share Transfer Agents viz., TSR Darashaw Pvt. Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400011, or TSR Darashaw Pvt. Ltd., 503, Barton Centre, 5<sup>th</sup> Floor, No.84 Mahatma Gandhi Road, Bangalore – 560 001. Alternatively, these can be sent to the Company Secretary, Gokak Textiles Ltd., Registered Office, No.24, 29th Main BTM Layout II Stage Bangalore-560076

i. Share Transfer system :

Shares sent for transfer in physical form are registered and returned within a maximum period of 30 days from the date of receipt of documents, provided, all documents are valid and complete in all respects. The Shareholders have option of converting their holding in dematerialized form and effecting the transfer in dematerialized mode.

As per Clause 47(c) of the Listing Agreement, the Company has obtained half yearly certificates from the Company Secretary in Practice for compliance of share transfer formalities, quarterly reconciliation of Share Capital Audit Report as per the Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 have been submitted to the Bombay Stock Exchange Ltd., promptly.

j. Distribution of Shareholding :

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	2,47,315	3.80
Insurance Companies	2,96,057	4.56
Mutual Funds / UTI	211	0.00
FII's & OBCs	2,00,635	3.09
Public	9,09,597	13.99
<b>Total</b>	<b>64,99,308</b>	<b>100.00</b>

k. Distribution by size of holding

Share holding	No. of Shareholders	No. of Shares	% to paid-up-capital
1 to 5000	9,582	4,71,795	7.26
5001 to 10000	151	1,14,047	1.75
10001 to 20000	71	1,01,029	1.56
20001 to 30000	16	39,188	0.60
30001 to 40000	10	34,081	0.53
40001 to 50000	10	46,807	0.72
50001 to 100000	10	78,032	1.20
100001 & above	14	56,14,329	86.38
<b>Total</b>	<b>9,864</b>	<b>64,99,308</b>	<b>100.00</b>

l. Dematerialisation of shares and liquidity:

Details	No. of shares Holders	No. of shares	% to paidup Capital
National Securities Depository ltd.	3,986	60,27,060	92.73
Central Depository Services(India)Ltd.	1,116	1,81,972	2.80
<b>Total Dematerialised</b>	<b>5,102</b>	<b>62,09,032</b>	<b>95.53</b>
Physical	4,762	2,90,276	4.47
<b>Total</b>	<b>9,864</b>	<b>64,99,308</b>	<b>100.00</b>

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

The Company has not issued any of these instruments

n. Plant Layout: Mill:

Gokak Falls – 591308 Dist. Belgaum, Karnataka State

Factory:

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

o. Address for Correspondence:

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

TSR Darashaw Pvt. Ltd.

Unit: Gokak Textiles Ltd.

6-10, Haji Moosa Patrawala

Industrial Estate, Dr.E.Moses Road,

(Near Famous Studio) Mahalakahmi,

Mumbai 400 011.

Tel : 91 22 6656 8484, Fax: 91 22 6656 8494

Business Hours: 10.00AM to 3.30PM, (Monday to Friday)

E-mail: [csg-unit@tsrdarashaw.com](mailto:csg-unit@tsrdarashaw.com),

Website : [www.tsrdarashaw.com](http://www.tsrdarashaw.com)

Mumbai

17<sup>th</sup> November, 2014.

Registered Office :

No.24, 29<sup>th</sup> Main

BTM Layout II Stage

Bangalore – 560 076.

For and on behalf of the  
Board of Directors

**SHAPOOR P. MISTRY**  
Chairman

**Annual Report**  
**2013 - 2014**

---

---

**DECLARATION**

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management for the financial year from 01.10.2013 to 30.09.2014 ended on 30th September, 2014.

Mumbai  
10<sup>th</sup> November, 2014

For GOKAK TEXTILES LIMITED

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

**H.S.BHASKAR**  
*Executive Director & CEO*

---

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

To  
The Members of,  
Gokak Textiles Limited,  
Bangalore.

We have examined the compliance of conditions of Corporate Governance by GOKAK TEXTILES LIMITED (the Company) for the year ended on September 30, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange

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

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

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

Bangalore,  
5<sup>th</sup> November, 2014

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



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

**Report on Financial Statements**

1. We have audited the accompanying financial statements of **Gokak Textiles Limited** ("the Company"), which comprise the Balance Sheet as at September 30, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit.  
We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2014;
  - ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Other Legal and Regulatory Requirements**

7. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) Order (Amendment) Order 2004 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
8. As required by sub-section (3) of section 227 of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditor's report has been forwarded to us and has been appropriately dealt with.
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the audited returns received from the branches.
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under the Act, read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, to the extent applicable.
  - e. On the basis of written representations received from the directors as on September 30, 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
  - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

**Anil A. Kulkarni**  
*Partner*  
Membership No. 47576  
Mumbai,  
November 10, 2014

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

**Annual Report**  
**2013 - 2014**

**ANNEXURE TO THE AUDITORS' REPORT**

Referred to in Paragraph 7 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date on the financial statements of **Gokak Textiles Limited** for the year ended September 30, 2014.

- 1) (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) As explained 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 during the year and were informed that no material discrepancies were noticed.
- (iii) In our opinion, the fixed assets disposed off during the year were not substantial and do not affect the going concern status of the Company.
- 2) (i) The Management has conducted physical verification of inventory at reasonable intervals.
- (ii) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (iii) The Company is maintaining proper records of inventory. 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.
- 3) (a) As informed, the Company has not granted any loan, secured/ unsecured to any Companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of Para 4 clause (iii) (b) to (d) of the said order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Para 4 clause (iii) (f) to (g) of the said order are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, there were no contracts or arrangements referred to in section 301 of the Act to be entered in the register required to be maintained under that section.  
Consequently, comment on sub clause (b) of clause 5 of the Companies Auditor's report 2003 is not required.
- 6) During the year under audit, the company has not accepted fixed deposits from the public.
- 7) The Company has an internal audit system, which in our opinion is commensurate with the size of the company and the nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company in respect of cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9) (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities.  
We have been also informed that there are no undisputed dues which have remained outstanding at the end of the financial year for a period of more than six months from the date they became payable except for Rs.8,665 towards service tax.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, Excise Duty or cess outstanding on account of any dispute other than following:

Name of Statute	Amount(Rs)	Period to which the amount relates	Forum where dispute is pending
The Karnataka Special Tax on Entry of Certain Goods Act,2004	11,458,194	October-2004 to March-2007	High Court of Karnataka, Bangalore
The Income Tax Act, 1961	300,912	2001-02 and 2002-03	The Commissioner of IncomeTax (Appeals)
The Excise Duty Act, 1944	5,562,848	July-2004 to April-2010	The Central Excise and Service Tax Appellate Tribunal, Mangalore
The Employees Provident Fund and Miscellaneous Provision Act, 1952	4,014,265	January-1990 to December-2001	The Employees Provident Fund Appellate Tribunal
The Excise Duty Act, 1944	11,037,577	December 2004 to May 2005	The Supreme Court of India

The Company has deposited Rs.1,204,583 towards provident fund under protest.

- 10) *The Company has accumulated losses exceeding fifty percent of the net worth as at the end of the financial year and has incurred cash losses in the current financial year and in the immediately preceding financial year.*
- 11) According to the records of the company examined by us and the information and explanations given to us by the Company and the branch auditor, the Company has not defaulted in repayment of dues to banks or financial institutions.
- 12) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- 13) According to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.
- 14) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures or investments. Accordingly clause 4 (xiv) of the order is not applicable to the Company.
- 15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions *except investments of the Company in Gokak Power and Energy Limited (a subsidiary company), equivalent to 14,700,000 shares at a carrying cost of Rs. 1,470 lac, have been pledged with a bank against loan obtained by the said subsidiary company.*
- 16) According to the information and explanations given to us and the records examined by us, the Company has applied the term loans for the purpose for which the loans were obtained.
- 17) On the basis of an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company did not issue any debentures during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

**Anil A. Kulkarni**  
*Partner*  
Membership No. 47576  
Mumbai,  
November 10, 2014

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

**Annual Report**  
**2013 - 2014**

**BALANCE SHEET AS AT SEPTEMBER 30, 2014**

Note	As at September 30 2014 ₹	As at September 30 2013 ₹
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>Shareholder's funds</b>		
Share Capital	4	64,993,080
Reserves and Surplus	5	64,993,080
		<u>294,237,595</u>
		<u>635,510,957</u>
		<u>359,230,675</u>
		<u>700,504,037</u>
<b>Non-current liabilities</b>		
Long Term Borrowings	6	535,520,573
Deferred tax Liabilities (Net)	7	289,570,541
Long Term Provisions	8	62,586,029
		<u>62,586,029</u>
		<u>66,498,371</u>
		<u>20,428,685</u>
		<u>17,611,394</u>
		<u>618,535,287</u>
		<u>373,680,306</u>
<b>Current liabilities</b>		
Short Term Borrowings	9	783,535,435
Trade Payables	10	887,273,952
Other Current Liabilities	11	726,797,871
Short-Term Provisions	12	498,009,620
		<u>392,282,467</u>
		<u>302,762,694</u>
		<u>5,420,348</u>
		<u>5,739,058</u>
		<u>1,908,036,121</u>
		<u>1,693,785,324</u>
<b>TOTAL</b>		<u><u>2,885,802,083</u></u>
		<u><u>2,767,969,667</u></u>
<b><u>ASSETS</u></b>		
<b>Non-current assets</b>		
Fixed Assets		
Tangible assets	13A	1,063,480,129
Intangible assets	13B	1,152,402,483
Capital Work in Progress		<u>13,589,702</u>
		<u>13,881,482</u>
		<u>800,000</u>
		<u>2,275,994</u>
		<u>1,077,869,831</u>
		<u>1,168,559,959</u>
Non Current Investments	14	249,952,502
Long-Term Loans And Advances	15	249,950,002
		<u>197,156,634</u>
		<u>199,281,122</u>
		<u>1,524,978,967</u>
		<u>1,617,791,083</u>
<b>Current assets</b>		
Inventories	16	999,122,386
Trade Receivables	17	808,575,478
Cash And Cash Equivalents	18	175,063,972
Short-Term Loans And Advances	19	228,413,588
Other Current Assets	20	5,564,466
		<u>7,879,605</u>
		<u>162,437,816</u>
		<u>83,869,423</u>
		<u>18,634,476</u>
		<u>21,440,490</u>
		<u>1,360,823,116</u>
		<u>1,150,178,584</u>
<b>TOTAL</b>		<u><u>2,885,802,083</u></u>
		<u><u>2,767,969,667</u></u>
Significant Accounting Policies	3	

The notes are an integral part of the these financial statements

**For and on behalf of the Board of Directors**

As per our Report attached

H. S. BHASKAR

*Executive Director & CEO*

**for Kalyaniwalla & Mistry**

*Chartered Accountants*

*(Firm registration no. 104607W)*

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

*Directors*

**Anil A. Kulkarni**

*Partner*

*(Membership no. 47576)*

GOVINDA R. KADEKAR

*Chief Financial Officer*

Mumbai, November 10, 2014

K. RAMANANDA PAI

*Company Secretary*

**STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Note	Year ended September 30 2014 ₹	Year ended September 30 2013 ₹
<b>REVENUE</b>			
Revenue from operations (gross)	21	3,401,610,178	3,558,931,324
Less : Excise Duty		–	4,415,852
Revenue from operations (net)		3,401,610,178	3,554,515,472
Other Operating Income	22	15,912,487	24,241,221
Other Income	23	23,730,899	17,768,730
<b>TOTAL REVENUE</b>		<b>3,441,253,564</b>	<b>3,596,525,423</b>
<b>EXPENSES</b>			
Cost of Raw Materials and Components Consumed	24	2,351,572,199	2,279,105,729
Purchase of Trading Goods	25	–	196,508
Change In Inventory of Finished Goods and Work in Progress	26	(170,131,983)	(75,791,394)
Employee Benefit Expenses	27	448,050,380	418,290,086
Other Expenses	28	824,839,387	790,951,452
Depreciation	13	103,505,036	104,300,582
Finance Costs	29	228,604,249	208,656,133
<b>TOTAL EXPENSES</b>		<b>3,786,439,268</b>	<b>3,725,709,096</b>
<b>(Loss) / Profit before Tax</b>		<b>(345,185,704)</b>	<b>(129,183,673)</b>
<b>Tax expense</b>			
Current Tax		–	1,300,000
Prior Period Tax Adjustment		1,361,697	–
Minimum Alternate Tax Credit Entitlement		(1,361,697)	(1,300,000)
Deferred tax		(3,912,342)	15,976,194
<b>(Loss)/Profit after tax</b>		<b>(341,273,362)</b>	<b>(145,159,867)</b>
Basic and Diluted Earnings per share (in ₹)	37	(52.51)	(22.33)
Significant Accounting Policies	3		

The notes are an integral part of the these financial statements

**For and on behalf of the Board of Directors**

As per our Report attached

H. S. BHASKAR

*Executive Director & CEO*

**for Kalyaniwalla & Mistry**

*Chartered Accountants*

*(Firm registration no. 104607W)*

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

*Directors*

**Anil A. Kulkarni**

*Partner*

*(Membership no. 47576)*

Mumbai, November 10, 2014

GOVINDA R. KADEKAR

*Chief Financial Officer*

K. RAMANANDA PAI

*Company Secretary*

**Annual Report**  
**2013 - 2014**

**CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Year ended September 30 2014 ₹	Year ended September 30 2013 ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
(Loss) / Profit before tax	(345,185,704)	(129,183,673)
Adjustments for:		
Depreciation	103,505,036	104,300,582
Interest income	(9,251,640)	(1,481,349)
Interest and financial charges	228,604,249	207,432,296
Profit on Sale of Fixed Assets	(5,422)	(894,708)
Dividend Income	(10,500)	-
Provision for Doubtful Debts	5,123,927	(59,853,006)
Provision for Doubtful Advances	471,227	-
Operating loss before working capital changes	(16,748,827)	120,320,142
Adjustments for :		
(Increase)/ Decrease in Inventories	(190,546,908)	(100,663,450)
(Increase)/ Decrease in Trade and other receivables	(21,986,419)	69,990,594
Increase/ (Decrease) in Trade payables and other liabilities	235,948,679	169,515,180
Cash generated from operations	6,666,525	259,162,466
Direct Taxes paid	(3,897,010)	(23,576,460)
<b>Net cash from operating activities</b>	<b>2,769,515</b>	<b>235,586,006</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase Sale of investments (net)	(2,500)	-
Purchase of fixed assets	(13,071,500)	(11,383,981)
Sale of Fixed Assets	262,014	975,000
Interest received	1,494,240	1,481,349
Dividend received	10,500	-
<b>Net cash (used in)/ from investing activities</b>	<b>(11,307,246)</b>	<b>(8,927,632)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Borrowings to Banks/Financial Institutions	227,069,441	(28,825,175)
Interest paid	(228,604,249)	(210,613,538)
Interest income	7,757,400	-
<b>Net cash (used in)/from financing activities</b>	<b>6,222,592</b>	<b>(239,438,713)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(2,315,139)</b>	<b>(12,780,339)</b>
Cash and Cash equivalents at the beginning of the period/year	7,879,605	20,659,944
<b>Cash and Cash equivalents at the end of the period/year</b>	<b>5,564,466</b>	<b>7,879,605</b>
<b>D. COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	981,302	1,111,726
Balances with banks:		
- In current accounts	3,427,940	5,610,655
- In deposit accounts	1,155,224	1,157,224
	<b>5,564,466</b>	<b>7,879,605</b>

---

**CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014**

---

**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. Purchase of fixed assets includes movements in Capital Work-in-progress between the beginning and the end of the year.
4. Figures in brackets indicate cash outflow.
5. Previous year's figures have been rearranged / regrouped wherever necessary.
6. To finance the working capital requirements the Company's bankers have sanctioned a total fund based limit of ₹ 10,900 lac. Out of this limit, utilised as on September 30, 2014 is ₹ 7,853 lac.

---

The notes are an integral part of the these financial statements

**For and on behalf of the Board of Directors**

As per our Report attached

**for Kalyaniwalla & Mistry**

*Chartered Accountants*

*(Firm registration no. 104607W)*

**Anil A. Kulkarni**

*Partner*

*(Membership no. 47576)*

Mumbai, November 10, 2014

H. S. BHASKAR

ASHOK BARAT

PRADIP N. KAPADIA

R.N.JHA

KAIWAN KALYANIWALLA

VASANT N. SANZGIRI

D G PRASAD

*Executive Director & CEO*

*Directors*

GOVINDA R. KADEKAR

K. RAMANANDA PAI

*Chief Financial Officer*

*Company Secretary*

## Annual Report

2013 - 2014

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 1. Corporate Information

The Company was incorporated under the Companies Act, 1956 under the name of ANS Textiles (Bangalore) Limited on March 27, 2006. The name was changed to Gokak Textiles Limited, with effect from 23rd January 2007. As per the scheme of arrangement under the Companies Act, 1956 the Textile Division of erstwhile Forbes Gokak Limited (now known as Forbes & Company Limited) was transferred to Gokak Textiles Limited with effect from April 1, 2007. The company is in the business of textile, manufacturing cotton yarn, blended yarn, industrial fabrics, terry towels, t-shirts, polos, undergarments, sweaters, etc.

#### 2. Preparation

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

#### 3. Accounting Policies

##### (a) Use of Estimates :

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

##### (b) Fixed Assets :

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

##### (c) Depreciation /Amortisation:

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

##### (d) Investments :

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

##### (e) Inventories :

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

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

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

##### (f) Borrowing Cost :

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

##### (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.



---

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

---

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

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

Interest Income is recognised on time proportion basis.

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

**(h) Operating Expenses :**

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

**(i) Foreign Exchange Transactions :**

Foreign currency transactions are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled are translated at the year-end rate and difference in translation and realised gains and losses on foreign exchange transactions are recognised in the Statement of profit and loss.

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

**(j) Provisions and Contingent Liability :**

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

**(k) Grants :**

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

**(l) Research and Development Expenditure :**

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

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

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

**(m) Accounting for Taxes on Income :**

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

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

**(n) Earnings per Share :**

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

**Annual Report**  
**2013 - 2014**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(o) Impairment :**

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

**(p) Employee Benefits :**

Short-term Employee benefits:

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

Defined Contribution Plans:

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

Defined Benefit Plans:

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

Other long-term benefits:

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

**4. Share Capital**

Particulars	September 30, 2014		September 30, 2013	
	Nos.	₹	Nos.	₹
<b>Authorised:</b> Equity shares of ₹10/- each	7,000,000	70,000,000	7,000,000	70,000,000
<b>Issued, Subscribed &amp; paid up</b> Equity shares of ₹10/- each fully paid	6,499,308	64,993,080	6,499,308	64,993,080
<b>Total</b>	<b>6,499,308</b>	<b>64,993,080</b>	6,499,308	64,993,080

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

Particulars	September 30, 2014		September 30, 2013	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	6,499,308	64,993,080	6,499,308	64,993,080
Add : Shares issued during the year	–	–	–	–
Less : Shares bought back during the year	–	–	–	–
<b>Shares outstanding at the end of the year</b>	<b>6,499,308</b>	<b>64,993,080</b>	6,499,308	64,993,080

**(B) Terms/rights attached to equity shares**

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

During the year ended 30<sup>th</sup> September 2014, the amount of per share dividend recognized as distributions to equity shareholders is NIL (September 30, 2013: NIL).

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

Name of the Shareholder	September 30, 2014		September 30, 2013	
	No.	%	No.	%
Shapoorji Pallonji & Company Ltd. (Holding Company)	4,780,845	73.56 %	4,780,845	73.56%

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**
**(D) Buyback of Shares, Bonus Shares, ESOP and Shares issued for consideration other than cash**

The company has not bought back any shares neither has it issued any bonus shares and shares under ESOP in the past five years. Further, the Company has not issued shares for consideration other than cash in the past five years.

**5. Reserves & Surplus**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	(80,520,729)	64,639,138
(+) Net profit / (loss) for the year	(341,273,362)	(145,159,867)
Closing Balance	(421,794,091)	(80,520,729)
<b>General Reserve</b>	<b>716,031,686</b>	716,031,686
<b>Total</b>	<b>294,237,595</b>	635,510,957

**6. Long Term borrowings**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>Secured</b>		
Term Loans from Banks/Financial Institutions	535,520,573	289,570,541
<b>Total</b>	<b>535,520,573</b>	289,570,541

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

Particulars	September 30, 2014 ₹	September 30, 2013 ₹
1-2 Years	254,811,907	115,100,000
2-3 Years	214,664,040	87,878,435
3-4 years	66,044,626	48,014,000
Beyond 4 Years	-	38,578,106
<b>Total</b>	<b>535,520,573</b>	289,570,541

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

Borrowings amounting to ₹ 59,512,435 (Previous Year: ₹ 87,366,435) are secured by exclusive charge of hypothecation of movable/ immovable fixed assets acquired/ to be acquired.

Borrowings amounting to ₹ 114,899,000 (Previous Year: ₹ 202,204,106) are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired /to be acquired.

Borrowings amounting to ₹ 361,109,138 (Previous Year: Nil) are secured by second by second pari passu charge on movable/ immovable fixed assets acquired.

**7. Deferred Tax Liability**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>Deferred Tax Liability</b>		
Depreciation	93,806,474	82,264,422
<b>Deferred Tax Asset</b>		
Provision For Doubtful Debts and advances	18,872,162	11,095,961
Employee benefits	12,348,283	4,670,090
<b>Total</b>	<b>62,586,029</b>	66,498,371

For the year ended September 30, 2014, 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.

**Annual Report**  
**2013 - 2014**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**8. Long Term Provisions**

	September 30, 2014	September 30, 2013
	₹	₹
Provision For Gratuity (Refer note no. 36)	7,446,628	6,462,365
Provision For Leave Encashment	12,982,057	11,149,029
<b>Total</b>	<b>20,428,685</b>	<b>17,611,394</b>

**9. Short Term Borrowings**

	September 30, 2014	September 30, 2013
	₹	₹
From Banks:		
Working Capital Loan (Secured)	783,535,435	724,065,945
Bills Discounted (Unsecured)	-	163,208,007
<b>Total</b>	<b>783,535,435</b>	<b>887,273,952</b>

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

**10. Trade Payables**

	September 30, 2014	September 30, 2013
	₹	₹
Due to Micro Small and Medium Scale Enterprises (Refer Note 32)	-	-
Due to Others (Refer Note 35)	726,797,871	498,009,620
<b>Total</b>	<b>726,797,871</b>	<b>498,009,620</b>

**11. Other Current Liabilities**

	September 30, 2014	September 30, 2013
	₹	₹
Current Maturities of Long Term Borrowings	253,964,130	169,106,204
Advances from Customers	15,846,067	15,152,367
Deposits	10,185,891	9,962,341
Sales Tax Payable	3,114,527	3,537,428
Other Payables	99,731,903	97,864,231
Interest accrued but not due	2,857,276	5,527,310
Payable to capital creditors	6,582,673	1,612,813
<b>Total</b>	<b>392,282,467</b>	<b>302,762,694</b>

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

**12. Short Term Provisions**

	September 30, 2014	September 30, 2013
	₹	₹
Provision For Gratuity (Refer note no. 36)	300,458	276,285
Provision For Leave Encashment	5,119,890	5,462,773
<b>Total</b>	<b>5,420,348</b>	<b>5,739,058</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**13. FIXED ASSETS**

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on September 30, 2013	Addition	Deduction	As on September 30, 2014	As on September 30, 2013	For the Year	On Deductions during the year	As on September 30, 2014	As on September 30, 2014	As on September 30, 2013
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>A . Tangible Assets</b>										
Leasehold Land	150,000	—	—	<b>150,000</b>	150,000	—	—	<b>150,000</b>	—	—
Freehold Land	2,245,450	—	—	<b>2,245,450</b>	—	—	—	—	<b>2,245,450</b>	2,245,450
Factory Building	397,956,571	2,445,893	—	<b>400,402,464</b>	183,912,607	12,671,436	—	<b>196,584,043</b>	<b>203,818,421</b>	214,043,964
Residential Building	83,230,369	—	—	<b>83,230,369</b>	20,157,210	1,350,762	—	<b>21,507,972</b>	<b>61,722,397</b>	63,073,159
Canal Lining	122,884	—	—	<b>122,884</b>	116,740	—	—	<b>116,740</b>	<b>6,144</b>	6,144
Plant and Machinery	2,979,335,932	11,548,417	275,040	<b>2,990,609,309</b>	2,131,636,034	85,603,851	60,493	<b>2,217,179,392</b>	<b>773,429,917</b>	847,699,898
Furniture, Fixtures and Office Equipment	74,279,608	553,184	86,290	<b>74,746,502</b>	50,851,685	3,204,954	44,245	<b>54,012,394</b>	<b>20,734,108</b>	23,427,923
Vehicles	16,052,427	—	—	<b>16,052,427</b>	14,146,482	382,253	—	<b>14,528,735</b>	<b>1,523,692</b>	1,905,945
<b>Total Tangible Assets</b>	<b>3,553,373,241</b>	<b>14,547,494</b>	<b>361,330</b>	<b>3,567,559,405</b>	<b>2,400,970,758</b>	<b>103,213,256</b>	<b>104,738</b>	<b>2,504,079,276</b>	<b>1,063,480,129</b>	1,152,402,483
Previous Year	3,542,593,572	19,819,575	9,039,906	3,553,373,241	2,305,848,025	104,082,347	8,959,614	2,400,970,758	1,152,402,483	
<b>B . Intangible Assets</b>										
Computer Software	22,371,697	—	—	<b>22,371,697</b>	8,490,215	291,780	—	<b>8,781,995</b>	<b>13,589,702</b>	13,881,482
<b>Total Intangible Assets</b>	<b>22,371,697</b>	—	—	<b>22,371,697</b>	<b>8,490,215</b>	<b>291,780</b>	—	<b>8,781,995</b>	<b>13,589,702</b>	13,881,482
Previous Year	20,571,697	1,800,000	—	22,371,697	8,271,980	218,235	—	8,490,215	13,881,482	

**Annual Report**  
**2013 - 2014**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**14. Non Current Investments**

	September 30, 2014	September 30, 2013
	₹	₹
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	-
<b>Subsidiary</b>		
In unquoted 24,990,000 equity shares of ₹10 each fully paid up of Gokak Power & Energy Limited	249,900,000	249,900,000
<b>Total</b>	<b>249,952,502</b>	<b>249,950,002</b>

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**

	September 30, 2014	September 30, 2013
	₹	₹
<b>Unsecured, considered good</b>		
Advances Recoverable in cash or Kind for value to be received	4,549,446	4,613,472
Capital advances	120,000	307,518
Balances with Excise Authorities	89,286,435	81,227,260
Balances with Sales Tax Authorities	64,299,307	76,607,973
Deposits	31,332,087	31,490,853
Advance Tax (Net of provision for taxes ₹23,861,697; Previous Year: ₹27,534,046)	7,569,359	5,034,046
<b>Total</b>	<b>197,156,634</b>	<b>199,281,122</b>

**16. Inventories**

	September 30, 2014	September 30, 2013
	₹	₹
Raw materials	188,168,313	171,442,981
Work in Progress	122,869,867	137,801,770
Finished goods	631,114,719	446,050,833
Stores and Spares including Fuel and packing material	56,969,487	53,279,894
<b>Total</b>	<b>999,122,386</b>	<b>808,575,478</b>

**17. Trade Receivables (Refer Note 35)**

	September 30, 2014	September 30, 2013
	₹	₹
<b>Outstanding for a period exceeding six months</b>		
Considered good	21,624,088	24,887,256
Considered doubtful	60,603,730	55,479,803
	<b>82,227,818</b>	<b>80,367,059</b>
Other Debts		
Considered good	153,439,884	203,526,332
Less: Provision for doubtful debts	60,603,730	55,479,803
<b>Total</b>	<b>175,063,972</b>	<b>228,413,588</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**
**18. Cash and Bank Balances**

	September 30, 2014	September 30, 2013
	₹	₹
Cash on Hand	981,302	1,111,726
<u>Balances with banks</u>		
In current accounts	3,427,940	5,610,655
In deposit accounts	1,155,224	1,157,224
<b>Total</b>	<b>5,564,466</b>	<b>7,879,605</b>

**19. Short term Loans and advances**

	September 30, 2014	September 30, 2013
	₹	₹
<b><u>Unsecured, considered good unless otherwise stated</u></b>		
Advances Recoverable in cash or Kind for value to be received		
- Considered good	34,612,275	39,173,842
- Considered doubtful	471,227	-
Prepaid Expenses	7,671,305	8,002,883
Advances to Suppliers		
- Subsidiary	76,168,042	-
- Others	19,673,029	13,741,227
Minimum Alternate Tax Credit Entitlement	23,861,697	22,500,000
Other Receivables	451,468	451,471
Less: Provision for doubtful advances	471,227	-
<b>Total</b>	<b>162,437,816</b>	<b>83,869,423</b>

**20. Other Current Assets**

	September 30, 2014	September 30, 2013
	₹	₹
Interest Subsidy Receivable	6,134,476	8,940,490
Fixed assets held for sale	12,500,000	12,500,000
<b>Total</b>	<b>18,634,476</b>	<b>21,440,490</b>

**21. Revenue from Operations**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<b>Sale of</b>		
Finished Goods	3,332,320,490	3,470,483,720
Trading Goods	-	103,879
Processing Income	69,289,688	88,343,725
	<b>3,401,610,178</b>	<b>3,558,931,324</b>
Less: Excise Duty	-	4,415,852
<b>Total</b>	<b>3,401,610,178</b>	<b>3,554,515,472</b>

## Annual Report

2013 - 2014

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### Details of Finished Goods Sold

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Grey Yarn	2,460,709,262	2,422,836,653
Blended Yarn	41,244,352	60,986,936
Dyed Yarn	580,334,878	541,374,689
Canvas	197,429,601	245,145,563
Apparels	34,757,922	177,996,536
Others	17,844,475	22,143,343
<b>Total</b>	<b>3,332,320,490</b>	<b>3,470,483,720</b>

#### Details of Trading Goods Sold

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Trading Cotton	-	103,879
<b>Total</b>	-	<b>103,879</b>

#### 22. Other Operating Income

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Scrap Sales	7,484,745	6,010,209
Export Benefits	8,427,742	18,231,012
<b>Total</b>	<b>15,912,487</b>	<b>24,241,221</b>

#### 23. Other Income

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Interest Income		
- From subsidiary	7,757,400	1,223,837
- Others	1,494,240	1,481,349
Miscellaneous Income	7,897,687	9,524,213
Exchange Gain (Net)	6,576,150	4,644,623
Profit on Sale of Fixed Assets (Net)	5,422	894,708
<b>Total</b>	<b>23,730,899</b>	<b>17,768,730</b>

#### 24. Cost of Raw Materials Consumed

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Opening Stock of Raw Material	171,442,981	153,706,061
Add : Purchases	2,368,297,531	2,296,842,649
	<b>2,539,740,512</b>	<b>2,450,548,710</b>
Less : Closing Stock of Raw Material	188,168,313	171,442,981
<b>Total</b>	<b>2,351,572,199</b>	<b>2,279,105,729</b>



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Details of Raw Material Consumed**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Cotton	2,151,920,021	2,072,892,415
Staple Fibre	83,921,075	76,068,937
Bought Waste	34,472,209	26,856,287
Yarn	1,992,600	6,707,651
Others	79,266,294	96,580,439
<b>Total</b>	<b>2,351,572,199</b>	<b>2,279,105,729</b>

**25. Purchase of Stock-in-Trade**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Trading Stock	-	196,508
<b>Total</b>	-	196,508

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

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Closing Stocks:		
Finished goods	631,114,719	446,050,833
Work in Progress	122,869,867	137,801,770
	<b>753,984,586</b>	<b>583,852,603</b>
Opening Stocks:		
Finished goods	446,050,833	356,294,347
Work in Progress	137,801,770	151,766,862
	<b>583,852,603</b>	<b>508,061,209</b>
<b>Total</b>	<b>(170,131,983)</b>	<b>(75,791,394)</b>

**Details of Inventory**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<b>Finished Goods</b>		
Grey Yarn	326,619,684	274,468,404
PC Yarn	6,555,335	7,277,920
Dyed Yarn	38,647,821	36,072,906
Canvas	133,255,825	63,909,262
Apparels	125,184,348	61,750,022
Terry Towel	599,477	1,997,728
Others	252,229	574,591
	<b>631,114,719</b>	<b>446,050,833</b>
<b>Work in Progress</b>		
Cotton Yarn	106,608,596	92,386,881
Loose Grey Cloth & Fabric	4,754,666	6,297,975
Apparels	11,506,605	39,116,914
	<b>122,869,867</b>	<b>137,801,770</b>

## Annual Report

2013 - 2014

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 27. Employee Benefit Expense

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Salaries, Wages, Bonus and Exgratia	340,086,609	332,606,247
Contribution to Provident & Other Funds	71,842,392	50,708,129
Workmen and Staff Welfare Expenses	36,121,379	34,975,710
<b>Total</b>	<b>448,050,380</b>	<b>418,290,086</b>

#### 28. Other Expenses

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Consumption of Stores and Spares	23,932,198	12,638,365
Consumption of Packing material	67,123,577	69,316,061
Power and Fuel	469,203,077	464,018,247
Processing Charges	861,937	2,171,816
Repairs and Maintenance		
Buildings	3,250,819	2,859,241
Plant & Machinery	43,581,498	36,255,100
Others	33,099,545	23,109,693
	<b>79,931,862</b>	<b>62,224,034</b>
Rent	9,021,446	9,704,701
Rates and Taxes	15,580,799	6,189,542
Insurance	6,798,099	8,758,409
Legal and Professional Fees	13,845,595	14,127,827
Hank Yarn Obligation	3,029,228	4,139,092
Printing and Stationery	2,333,570	2,120,199
Postage, Telegram and Courier Charges	2,999,091	3,771,118
Freight and Forwarding	38,783,552	43,281,210
Travelling and Conveyance	6,107,190	6,926,980
Commission and Discount	46,148,011	48,487,498
Marketing and Selling	35,100	6,255,216
Provisions for Doubtful debts	5,123,927	(59,853,006)
Bad Debts	-	63,897,684
Provision for doubtful advances	471,227	-
Directors' Meeting Fees	662,924	630,216
Miscellaneous Expenses	32,846,977	22,146,243
<b>Total</b>	<b>824,839,387</b>	<b>790,951,452</b>

#### 29. Finance Cost

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Interest on		
Term Loan	90,143,786	58,492,271
Others	130,965,958	140,135,645
Other Borrowing Cost	7,494,505	10,028,217
<b>Total</b>	<b>228,604,249</b>	<b>208,656,133</b>

---

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**


---

**30. Contingent liabilities :**

Contingent liabilities not provided in respect of :

	<b>Year ended September 30, 2014</b>	Year ended September 30, 2013
	₹	₹
A) Bills Discounted	<b>39,158,425</b>	12,787,094
B) Guarantees issued by bank Corporate Guarantee to Other	<b>24,781,791</b>	21,922,573
C) Taxes in dispute :-		
Entry Tax/Special Entry tax	<b>11,458,194</b>	14,458,194
Income tax matters	<b>300,912</b>	300,912
Excise Demands	<b>16,600,425</b>	16,600,425
Provident Fund	<b>2,810,682</b>	2,810,682
D) Labour Matters in Dispute	<b>4,886,272</b>	4,986,272
E) Bonds given by Company in favour of Customs Authorities	<b>478,320,557</b>	478,320,557
F) Other Demands Contested by the Company		
Creditors Claim	<b>71,471</b>	71,471
Electricity Duty	<b>955,893</b>	955,893
	<b>579,344,622</b>	553,214,073

- 31.** Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 24,41,295 (Previous Year: ₹48,09,872).
- 32.** Under the Micro, Small and Medium Enterprises Development Act, 2006, which came into force on October 2, 2006, the company is required to make certain disclosures relating to Micro, Small and Medium Enterprises. The company is in the process of compiling and assimilating the relevant information from its suppliers about their coverage under the Act. Since the relevant information is not readily available, no disclosures have been made in the Accounts.
- 33.** During the year, a special resolution seeking the approval of Shareholders for the divestment of Knitwear Division has been passed by the requisite majority as per the postal ballot announced on 6th Decemeber 2013. The Company is in the process of locating a buyer.
- 34.** The Company has decided to change the Financial Year as per the provisions of the Companies Act, 2013, from September to March, from March 2015. Current Financial Year is closed on 30th Septemebr 2014. The next Financial Year will be for six months ending on 31st March 2015.
- 35.** 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.

## Annual Report

2013 - 2014

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 36. Gratuity

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<b>a) Change in Present Value of Obligation</b>		
Present value of the obligation at the beginning of the year	145,140,951	138,460,647
Benefits earned during the year	12,802,213	10,846,099
Current Service Cost	7,063,512	6,832,253
Interest Cost	623,325	451,944
Past Service Cost - Vested Benefit	-	-
Actuarial (Gain) / Loss on Obligation	18,032,379	(3,155,040)
Benefits Paid	(20,815,807)	(8,294,952)
Present value of the obligation at the end of the year	162,846,573	145,140,951
<b>b) Change in Plan Assets</b>		
Fair value of Plan Assets at the beginning of the year	141,180,937	131,467,867
Expected return on Plan Assets	12,141,561	10,517,429
Actuarial Gain / (Loss) on Plan Assets	871,997	2,943,552
Contributions by Plan Participants	20,413,975	5,339,780
Benefits Paid	(18,461,401)	(9,087,691)
Fair value of Plan Assets at the end of the year	156,147,069	141,180,937
<b>c) Amounts Recognised in the Balance Sheet</b>		
Present value of Obligation at the end of the year	162,846,573	147,919,587
Fair value of Plan Assets at the end of the year	(156,147,069)	(138,402,301)
Funded Status	(1,047,582)	2,778,636
Net Obligation at the end of the year	7,747,086	9,517,286
<b>d) Amounts Recognised in the Statement of Profit &amp; Loss</b>		
Current Service Cost	7,063,512	6,832,253
Interest cost on Obligation	13,425,538	11,298,043
Expected return on Plan Assets	(12,141,561)	(10,517,429)
Net Actuarial (Gain) / Loss recognised in the year	17,160,382	(6,098,592)
Past Service Cost - Vested Benefit recognised in the year	-	-
Expenses recognized in Profit & Loss Account	25,507,871	1,514,275
<b>e) Actual return on Plan Assets</b>		
Expected return on Plan Assets	12,141,561	10,517,429
Actuarial Gain / (Loss) on Plan Assets	871,997	2,943,552
Actual return on Plan Assets	13,013,558	13,460,981
<b>f) Actuarial Assumptions</b>		
i) Discount Rate	8.89%	9.25%
ii) Expected Rate of Return on Plan Assets	8.70%	8.60%
iii) Salary Escalation Rate	4.00%	4.00%
iv) Attrition Rate	2.00%	2.00%
v) Mortality	<b>Indian Assured Lives Mortality (2006-08) Ultimate</b>	LIC 1994-96 Ultimate

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

37. 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 reasonable necessary.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Net (Loss)/Profit before extraordinary items (net of tax)	(341,273,362)	(145,159,867)
Net Profit after extraordinary items after tax	(341,273,362)	(145,159,867)
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)	(52.51)	(22.33)
Basic and Diluted Earnings per share after extraordinary items after tax	(52.51)	(22.33)

39. Break up of details of consumptions of Raw Materials, Stores, Spares and Packing materials.

Particulars	Year ended September 30, 2014		Year ended September 30, 2013	
	₹	%	₹	%
<b>Raw Material</b>				
Imported	24,577,526	1.05	153,819,070	6.75
Indigenous	2,326,994,673	98.95	2,125,286,659	93.25
<b>Total</b>	<b>2,351,572,199</b>	<b>100</b>	<b>2,279,105,729</b>	<b>100</b>
<b>Stores, Spares and Packing materials</b>				
Imported	18,542,475	20.36	13,994,128	17.08
Indigenous	72,513,300	79.64	67,960,298	82.92
<b>Total</b>	<b>91,055,775</b>	<b>100</b>	<b>81,954,426</b>	<b>100</b>

40. CIF Value of Imports

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Raw Materials	12,048,291	117,249,114
Stores and Spares	17,728,001	10,262,878
Capital Goods	7,316,619	—
<b>Total</b>	<b>37,092,911</b>	<b>127,511,992</b>

41. Income in Foreign Currency

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
FOB value of Exports	264,321,865	421,852,074
Freight and Insurance Recoveries	4,168,489	5,594,700
<b>Total</b>	<b>268,490,354</b>	<b>427,446,774</b>

42. Expenditure in Foreign Currency

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Commission to Overseas Agents	2,560,124	8,525,536
Interest	—	1,583,138
Others	888,137	1,460,379
<b>Total</b>	<b>3,448,261</b>	<b>11,569,053</b>

## Annual Report

2013 - 2014

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 43. Auditors Remuneration included in legal and professional fees (including service tax)

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Statutory Auditors' Remuneration		
Audit Fees (including branch auditor fee ₹400,000; Previous Period ₹350,000)	2,000,000	1,950,000
Tax Audit Fees	300,000	300,000
Certification	800,000	800,000
Out of Pocket Expenses (including branch auditor expenses)	384,623	478,692
Service Tax	383,160	376,980
Cost Auditors' Remuneration		
Audit Fees	300,000	300,000
Out of Pocket Expenses	23,229	38,848
Service Tax	37,080	37,080
<b>Total</b>	<b>4,228,092</b>	<b>4,281,600</b>

#### 44. Directors Remuneration

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Salary and Allowance	3,429,632	3,499,296
Benefits and Perquisites	100,000	99,800
Bonus/Commission	1,200,000	1,200,000
Pension contribution to provident and superannuation fund	257,952	430,920
<b>Total</b>	<b>4,987,584</b>	<b>5,230,016</b>

#### 45. Related Party Disclosures:

##### A Names of the related parties and description of relationship

##### I) Holding Company

Shapoorji Pallonji & Company Limited

##### II) Subsidiary

Gokak Power & Energy Limited

##### III) Fellow Subsidiaries

Forbes & Company Limited  
 Volkart Fleming Shipping & Services Limited  
 Eureka Forbes Limited  
 Forbes Doris & Naess Maritime Limited  
 Forbes Technosys Limited  
 Forvol International Services Limited  
 Shapoorji Pallonji Infrastructure Capital Company Limited

##### IV) Key Managerial Personnel

Mr. H. S. Bhaskar : Whole Time Director

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**B. Particulars of transaction with Related Parties**

(Amount in ₹)

Year ended September 30, 2014 (₹) Year ended September 30, 2013 (₹)	Holding Company	Subsidiary	Fellow Subsidiaries	Key Managerial Personnel	Total
<b><u>Nature of Transactions</u></b>					
<b>Sales</b>	<b>5,363,261</b>	–	<b>36,347</b>	–	<b>5,399,608</b>
<i>Previous Year</i>	1,843,645	–	326,631	–	2,170,276
<b>Interest Received</b>	–	<b>7,757,400</b>	–	–	<b>7,757,400</b>
<i>Previous Year</i>	–	1,223,837	–	–	1,223,837
<b>Rent</b>	–	–	<b>351,374</b>	–	<b>351,374</b>
<i>Previous Year</i>	–	–	500,963	–	500,963
<b>Services Received</b>	–	–	<b>883,943</b>	–	<b>883,943</b>
<i>Previous Year</i>	–	–	1,639,010	–	1,639,010
<b>Services Rendered</b>	–	–	–	–	–
<i>Previous Year</i>	–	–	107,978	–	107,978
<b>Purchase of Electricity</b>	–	<b>131,930,742</b>	–	–	<b>131,930,742</b>
<i>Previous Year</i>	–	161,066,858	–	–	161,066,858
<b>Remuneration</b>	–	–	–	<b>4,987,584</b>	<b>4,987,584</b>
<i>Previous Year</i>	–	–	–	5,230,016	5,230,016
<b>Advances/Loan Given</b>	–	<b>1,000,000</b>	–	–	<b>1,000,000</b>
<i>Previous Year</i>	–	2,500,000	–	–	2,500,000
<b>Advances/Loan Given Received back</b>	–	<b>1,000,000</b>	–	–	<b>1,000,000</b>
<i>Previous Year</i>	–	2,500,000	–	–	2,500,000
<b>Deposits Given</b>	–	–	–	–	–
<i>Previous Year</i>	–	10,000,000	–	–	10,000,000
<b>Expenses/Payments incurred on behalf</b>	–	<b>439,265</b>	<b>147,975</b>	–	<b>587,240</b>
<i>Previous Year</i>	–	5,913,513	1,123,436	–	7,036,949
<b>Reimbursement of Expenses</b>	–	–	–	–	–
<i>Previous Year</i>	–	19,470,847	–	–	19,470,847
<b>Receivables</b>	<b>3,904,000</b>	<b>76,168,042</b>	<b>1,800,207</b>	–	<b>81,872,249</b>
<i>Previous Year</i>	2,420,466	–	1,631,541	–	4,052,007
<b>Deposits Receivables</b>	–	<b>10,000,000</b>	–	–	<b>10,000,000</b>
<i>Previous Year</i>	–	10,000,000	–	–	10,000,000
<b>Payables</b>	–	–	<b>3,517,095</b>	<b>1,200,000</b>	<b>4,717,095</b>
<i>Previous Year</i>	–	17,733,172	4,065,542	1,200,000	22,998,714

**Annual Report**  
**2013 - 2014**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Details of Related Party Transactions**

Nature of Transaction	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<b>Sales</b>		
Shapoorji Pallonji & Company Limited	5,363,261	1,843,645
Forbes & Company Limited	36,347	326,631
<b>Services Received</b>		
Forvol International Services Limited	353,199	260,265
Eureka Forbes Limited	87,197	94,526
Forbes & Company Limited	443,547	1,284,219
<b>Interest Income</b>		
Gokak Power & Energy Limited	7,757,400	1,223,837
<b>Rent</b>		
Forbes & Co Limited	351,374	500,963
<b>Expenses/Payments incurred on behalf</b>		
Gokak Power & Energy Limited	439,265	5,913,513
Forbes & Co Limited	147,975	1,033,937
Volkart Fleming Shipping & Services Limited	-	89,499
<b>Reimbursement of Expense</b>		
Gokak Power & Energy Limited	-	19,470,847
<b>Purchase of Electricity</b>		
Gokak Power & Energy Limited	131,930,742	161,066,858
<b>Directors Remuneration</b>		
Mr. H.S. Bhaskar	4,987,584	5,230,016
<b>Advances/Loan Given</b>		
Gokak Power & Energy Limited	1,000,000	2,500,000
<b>Advances/Loan Given Received back</b>		
Gokak Power & Energy Limited	1,000,000	2,500,000
<b>Deposits Given</b>		
Gokak Power & Energy Limited	-	10,000,000
<b>Services Rendered</b>		
Eureka Forbes Limited	-	107,978
<b>Receivables</b>		
Shapoorji Pallonji & Company Limited	3,904,000	2,420,466
Eureka Forbes Limited	-	15,656
Forbes & Company Limited	1,800,207	1,615,885
Gokak Power & Energy Limited	76,168,042	-
<b>Deposits Receivable</b>		
Gokak Power & Energy Limited	10,000,000	10,000,000
<b>Payables</b>		
Gokak Power & Energy Limited	-	17,733,172
Volkart Fleming Shipping & Services Limited	910,501	910,501
Eureka Forbes Limited	35,750	35,750
Forvol International Services Limited	15,335	7,828
Forbes & Company Limited	2,555,509	3,111,463
Mr. H.S. Bhaskar	1,200,000	1,200,000



**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

<b>Name of the Company</b>	<b>Nature of Transaction</b>	<b>Balance as at September 30, 2014</b>	<b>Maximum Balance during Year ended September 30, 2014</b>	<b>No. of shares of the Company held by the loanee as at September 30, 2014</b>
Gokak Power and Energy Limited	Advance	–	1,000,000	Nil

**46. Segment information**

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

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

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FORMING PART OF  
ANNUAL REPORT OF  
GOKAK TEXTILES LIMITED  
FOR THE  
PERIOD ENDED SEPTEMBER 30, 2014**

**INDEPENDENT AUDITOR'S REPORT**

TO THE BOARD OF DIRECTORS' OF

GOKAK TEXTILES LIMITED

**Report on the Consolidated Financial Statement**

1. We have audited the accompanying consolidated financial statements of Gokak Textiles Limited and its subsidiary (the Group), which comprise the consolidated Balance Sheet as at September 30, 2014, and the Statement of Consolidated Profit and Loss and the Consolidated Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

5. In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of the reports of other auditor on the financial statements, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at September 30, 2014;
  - b) in case of the Statement of Consolidated Profit and Loss, of the loss of the Group for the year ended on that date; and
  - c) in case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**Other Matters**

6. We did not audit the financial statements of Gokak Power and Energy Limited, a subsidiary company, whose financial statements reflect the group's total assets of Rs. 1,334,384,093 as at September 30, 2014, the group's share of total revenues of Rs. 193,460,279 for the year ended on that date and net cash inflows amounting to Rs. 1,338,998 for the year ended on that date. These financial statements have been audited by other auditor whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.
7. We report that the consolidated financial statements have been prepared by the management of Gokak Textiles Limited in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements.

**Anil A. Kulkarni**  
*Partner*  
Membership No. 47576  
Mumbai,  
November 10, 2014

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

**Annual Report**  
**2013 - 2014**

**CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2014**

	Note	As at September 30, 2014 ₹	As at September 30, 2013 ₹
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' funds</b>			
Share Capital	4	64,993,080	64,993,080
Reserves and Surplus	5	(496,785,979)	(238,811,337)
		<u>(431,792,899)</u>	<u>(173,818,257)</u>
		<b>122,181,906</b>	155,369,419
<b>Minority Interest</b>			
<b>Non-current liabilities</b>			
Long Term Borrowings	6	1,260,670,573	1,080,770,541
Deferred tax Liabilities (Net)	7	62,586,029	66,498,371
Long Term Provisions	8	24,054,823	21,255,809
		<u>1,347,311,425</u>	<u>1,168,524,721</u>
<b>Current liabilities</b>			
Short Term Borrowings	9	783,535,435	887,273,952
Trade Payables	10	726,797,871	455,938,146
Other Current Liabilities	11	462,736,686	405,821,129
Short-Term Provisions	12	5,420,348	5,739,058
		<u>1,978,490,340</u>	<u>1,754,772,285</u>
<b>TOTAL</b>		<u><b>3,016,190,772</b></u>	<u>2,904,848,168</u>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
<b>Fixed Assets</b>			
Tangible assets	13A	1,358,385,317	1,463,361,891
Intangible assets	13B	13,589,702	13,881,481
Capital Work in Progress		<u>10,391,298</u>	<u>2,372,062</u>
		<b>1,382,366,317</b>	1,479,615,434
Non Current Investments	14	52,502	50,002
Deferred Tax Asset (Net)	15	18,842,363	-
Long-Term Loans And Advances	16	187,855,520	188,973,603
		<u>1,589,116,702</u>	<u>1,668,639,039</u>
<b>Current assets</b>			
Inventories	17	1,000,094,151	808,575,478
Trade Receivables	18	177,368,445	228,668,116
Cash And Cash Equivalents	19	85,618,977	86,595,118
Short-Term Loans And Advances	20	89,180,380	88,050,989
Other Current Assets	21	74,812,117	24,319,428
		<u>1,427,074,070</u>	<u>1,236,209,129</u>
<b>TOTAL</b>		<u><b>3,016,190,772</b></u>	<u>2,904,848,168</u>
Significant Accounting Policies	2&3		

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

**For and on behalf of the Board of Directors**

H. S. BHASKAR

*Executive Director & CEO*

**For and on behalf of**

**Kalyaniwalla & Mistry**

*Chartered Accountants*

*(Firm registration no. 104607W)*

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

*Directors*

**Anil A. Kulkarni**

*Partner*

*(Membership No. 47576)*

GOVINDA R. KADEKAR

*Chief Financial Officer*

Mumbai, November 10, 2014

K. RAMANANDA PAI

*Company Secretary*

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED  
SEPTEMBER 30, 2014**

	Note	Year ended September 30, 2014 ₹	Year ended September 30, 2013 ₹
<b>REVENUE</b>			
Revenue from operations (gross)	22	3,405,764,941	3,560,673,304
Less : Excise Duty		—	4,415,852
Revenue from operations (net)		<u>3,405,764,941</u>	<u>3,556,257,452</u>
Other Operating Income	23	72,716,962	24,241,221
Other Income	24	22,876,317	20,119,181
<b>TOTAL REVENUE</b>		<u><b>3,501,358,220</b></u>	<u><b>3,600,617,854</b></u>
<b>EXPENSES</b>			
Cost of Raw Materials Consumed	25	2,351,572,199	2,279,105,729
Purchase of Trading Goods	26	—	196,508
Change In Inventory of Finished Goods and Work in Progress	27	(170,131,983)	(75,791,394)
Employee Benefit Expenses	28	456,589,253	425,010,270
Other Expenses	29	718,777,084	651,922,099
Depreciation	13	119,568,245	117,823,269
Finance Costs	30	338,900,282	320,711,930
<b>TOTAL EXPENSES</b>		<u><b>3,815,275,080</b></u>	<u><b>3,718,978,411</b></u>
<b>Loss before tax</b>		<u><b>(313,916,860)</b></u>	<u><b>(118,360,557)</b></u>
Exceptional Items		—	—
<b>Loss before extraordinary items and tax</b>		<u><b>(313,916,860)</b></u>	<u><b>(118,360,557)</b></u>
Extraordinary Items		—	—
<b>Loss before tax</b>		<u><b>(313,916,860)</b></u>	<u><b>(118,360,557)</b></u>
Tax expense			1,300,000
Current Tax		—	
Prior Period Tax Adjustment		1,361,697	—
Minimum Alternate Tax Credit Entitlement		(1,361,697)	(1,300,000)
Deferred tax		(22,754,705)	15,976,194
<b>Loss after tax before minority interest</b>		<u><b>(291,162,155)</b></u>	<u><b>(134,336,751)</b></u>
Minority Interest		(33,187,513)	(70,202,281)
<b>Loss after Tax</b>		<u><b>(257,974,642)</b></u>	<u><b>(64,134,470)</b></u>
Basic and Diluted Earnings per share (in Rs)	37	<u><b>(39.69)</b></u>	<u><b>(9.87)</b></u>
Significant Accounting Policies	2 & 3		

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

**For and on behalf of**  
**Kalyaniwalla & Mistry**  
Chartered Accountants  
(Firm registration no. 104607W)

**Anil A. Kulkarni**  
Partner  
(Membership No. 47576)

Mumbai, November 10, 2014

**For and on behalf of the Board of Directors**

H. S. BHASKAR

*Executive Director & CEO*

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

*Directors*

GOVINDA R. KADEKAR

*Chief Financial Officer*

K. RAMANANDA PAI

*Company Secretary*

**Annual Report**  
**2013 - 2014**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Year ended September 30, 2014</b>	<b>Year ended September 30, 2013</b>
	<b>₹</b>	<b>₹</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Loss before tax	(313,916,860)	(118,360,557)
Adjustments for:		
Depreciation	119,568,245	117,823,269
Interest income	(8,397,058)	(4,868,850)
Interest and financial charges	338,900,282	320,711,930
Profit on Sale of Fixed Assets	(5,422)	(894,708)
Dividend Income	(10,500)	-
Provision for Doubtful Debts	5,123,927	(59,853,006)
Provision for Doubtful Advances	471,227	-
Fixed Assets written off	-	-
Operating profit/(loss) before working capital changes	<u>141,733,841</u>	<u>254,558,078</u>
Adjustments for :		
(Increase)/ Decrease in Inventories	(191,518,673)	(100,663,449)
(Increase)/ Decrease in Trade and other receivables	(1,456,078)	60,360,050
Increase/ (Decrease) in Trade payables and other liabilities	<u>256,449,238</u>	<u>160,694,152</u>
Cash generated from operations	<u>205,208,328</u>	<u>374,948,831</u>
Direct Taxes paid	<u>(3,212,199)</u>	<u>(23,576,459)</u>
<b>Net cash from/ (used in) operating activities</b>	<u><u>201,996,129</u></u>	<u><u>351,372,372</u></u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase)/ Sale of Investments (net)	(2,500)	-
Purchase of fixed assets	(22,575,720)	(60,377,849)
Sale of Fixed Assets	262,014	975,000
Interest received	8,265,855	1,989,912
Dividend received	10,500	-
<b>Net cash from/(used in) investing activities</b>	<u><u>(14,039,851)</u></u>	<u><u>(57,412,937)</u></u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/ (Repayments) of Borrowings from Banks and Financial Institutions	152,669,441	(28,825,176)
Proceeds of Borrowings from Holding Company	-	-
Repayment of Borrowings to Holding Company	-	-
Proceeds from issue of shares to minority shareholders	-	-
Interest paid	(341,601,860)	(319,968,026)
<b>Net cash from/(used in) financing activities</b>	<u><u>(188,932,419)</u></u>	<u><u>(348,793,202)</u></u>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<u><u>(976,141)</u></u>	<u><u>(54,833,767)</u></u>
Cash and Cash equivalents at the beginning of the year/period	<u>86,595,118</u>	<u>141,428,885</u>
<b>Cash and Cash equivalents at the end of the year/period</b>	<u><u>85,618,977</u></u>	<u><u>86,595,118</u></u>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Year ended September 30, 2014</b>	Year ended September 30, 2013
	₹	₹
<b>D. COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	<b>991,198</b>	1,146,822
Balances with banks:		
- In current accounts	<b>4,427,138</b>	9,291,072
- In deposit accounts	<b>80,200,641</b>	76,157,224
	<b><u>85,618,977</u></b>	<u>86,595,118</u>

**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-progress 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 Rs. 10,900 Lac. Out of this limit, utilised as on September 30, 2014 is Rs. 7,853 Lac.
6. Deposit account includes amount of Rs.790 lacs placed in Debt Service Reserve Account against Term loan borrowed from Bank.

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

**For and on behalf of the Board of Directors**

H. S. BHASKAR

*Executive Director & CEO*

**For and on behalf of**

**Kalyaniwalla & Mistry**

*Chartered Accountants*

*(Firm registration no. 104607W)*

**Anil A. Kulkarni**

*Partner*

*(Membership No. 47576)*

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

}

*Directors*

GOVINDA R. KADEKAR

*Chief Financial Officer*

K. RAMANANDA PAI

*Company Secretary*

Mumbai, November 10, 2014

## Annual Report

2013 - 2014

---

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

---

#### 1. Corporate Information

The Company was incorporated under the Companies Act, 1956 under the name of ANS Textiles (Bangalore) Limited on March 27, 2006. The name was changed to Gokak Textiles Limited, with effect from 23rd January 2007. As per the scheme of arrangement under the Companies Act, 1956 the Textile Division of erstwhile Forbes Gokak Limited (now known as Forbes & Company Limited) was transferred to Gokak Textiles Limited with effect from April 1, 2007. The company is in the business of textile, manufacturing cotton yarn, blended yarn, industrial fabrics, terry towels, t-shirts, polos, undergarments, sweaters, etc.

#### 2. Basis of Consolidation

The consolidated financial statements relate to M/s. Gokak Textiles Limited, the holding Company, and its subsidiary Gokak Power and Energy Ltd (collectively referred to as the Group). Gokak Textiles Limited holds 51% stake in the subsidiary Company. The consolidation of the financial statements of the Company with its subsidiary has been prepared in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements'.

##### a) Basis of Accounting:

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

##### b) Principles of consolidation:

- i) The financial statements of the company and its subsidiary company has 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 at the rates specified in Schedule XIV to the Companies Act, 1956, except for vehicle which is depreciated on written down value method. Items costing less than and up to Rs. 5,000 are fully depreciated in the year of purchase.

##### (d) Investments :

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



---

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**


---

**(e) Inventories :**

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

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

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

**(f) Borrowing Cost :**

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

**(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 recognized 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.

**(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.

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

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

## Annual Report

2013 - 2014

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

**(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.

**4. Share Capital**

Particulars	September 30, 2014		September 30, 2013	
	Nos.	₹	Nos.	₹
<b>Authorised:</b>				
Equity shares of ₹10/- each	7,000,000	70,000,000	7,000,000	70,000,000
<b>Issued, Subscribed &amp; paid up</b>				
Equity shares of ₹10/- each fully paid	6,499,308	64,993,080	6,499,308	64,993,080
<b>Total</b>	<b>6,499,308</b>	<b>64,993,080</b>	6,499,308	64,993,080

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

Particulars	September 30, 2014		September 30, 2013	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	6,499,308	64,993,080	6,499,308	64,993,080
Add : Shares issued during the year	-	-	-	-
Less : Shares bought back during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>6,499,308</b>	<b>64,993,080</b>	6,499,308	64,993,080

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**
**(B) Terms/rights attached to equity shares**

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

During the year ended September 30, 2014, the amount of per share dividend recognized as distributions to equity shareholders is NIL (September 30, 2013: NIL).

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

Name of the Shareholder	September 30, 2014		September 30, 2013	
	No.	%	No.	%
Shapoorji Pallonji & Company Ltd (Holding Company)	4,780,845	73.56%	4,780,845	73.56%

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

The company has not bought back any shares neither has it issued any bonus shares and shares under ESOP in the past five years.

In the FY 2007-08; the company issued 6,449,308 shares to the shareholders of Forbes Gokak Limited pursuant to the Scheme of Demerger for consideration other than cash.

**5. Reserves & Surplus**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>Surplus/ (Deficit) in Statement of Profit and Loss</b>		
Opening balance	(954,843,023)	(890,708,553)
(+) Net loss for the year/period	(257,974,642)	(64,134,470)
Closing Balance	(1,212,817,665)	(954,843,023)
<b>General Reserve</b>	716,031,686	716,031,686
<b>Total</b>	(496,785,979)	(238,811,337)

**6. Long Term borrowings**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>Secured</b>		
Term Loans from Banks/Financial Institutions	1,260,670,573	1,080,770,541
<b>Total</b>	1,260,670,573	1,080,770,541

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

Particulars	September 30, 2014 ₹	September 30, 2013 ₹
1-2 Years	324,561,907	171,000,000
2-3 Years	291,389,040	152,378,435
3-4 years	163,694,626	118,964,000
Beyond 4 Years	481,025,000	638,428,106
<b>Total</b>	1,260,670,573	1,080,770,541

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

Borrowings amounting to Rs.59,512,435 (Previous Year: Rs.87,366,435) are secured by exclusive charge of hypothecation of movable/ immovable fixed assets acquired /to be acquired.

Borrowings amounting to Rs.114,899,000 (Previous Year: Rs.202,204,106) are secured by first hypothecation charge on specific movable/ immovable fixed assets acquired/ to be acquired.

**Annual Report**  
**2013 - 2014**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Borrowings amounting to Rs. 361,109,138 (Previous Year: Nil) are secured by second by second pari passu charge on movable/ immovable fixed assets acquired.

Borrowing amounting to Rs. 725,150,000 (Previous Year: 791,200,000) 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.

**7. Deferred Tax Liability**

	September 30, 2014	September 30, 2013
	₹	₹
<u>Deferred Tax Liability</u>		
Depreciation	93,806,474	82,264,422
<u>Deferred Tax Asset</u>		
Unabsorbed Depreciation		11,095,961
Provision For Doubtful Debts	18,872,162	4,670,090
Provision For Employee Benefits	12,348,283	4,670,090
<b>Total</b>	<b>62,586,029</b>	<b>66,498,371</b>

For the year ended September 30, 2014, 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**

	September 30, 2014	September 30, 2013
	₹	₹
Provision For Gratuity	10,403,560	9,484,285
Provision For Leave Encashment	13,651,263	11,771,524
<b>Total</b>	<b>24,054,823</b>	<b>21,255,809</b>

**9. Short Term Borrowings**

	September 30, 2014	September 30, 2013
	₹	₹
<u>From Banks:</u>		
Working Capital Loan (Secured)	783,535,435	724,065,945
Bills Discounted (Unsecured)	-	163,208,007
<b>Total</b>	<b>783,535,435</b>	<b>887,273,952</b>

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

**10. Trade Payables**

	September 30, 2014	September 30, 2013
	₹	₹
Due to Micro Small and Medium Scale Enterprises (Refer Note 34)	-	-
Due to Others (Refer Note 41)	726,797,871	455,938,146
<b>Total</b>	<b>726,797,871</b>	<b>455,938,146</b>

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**11. Other Current Liabilities**

	<b>September 30, 2014</b>	September 30, 2013
	₹	₹
Current Maturities of Long Term Borrowings (Refer Note 6)	<b>314,414,130</b>	237,906,204
Advances from Customers	<b>15,846,067</b>	15,152,367
Deposits	<b>10,185,891</b>	9,962,341
Sales Tax Payable	<b>3,114,527</b>	3,537,427
Other Payables	<b>104,958,958</b>	128,926,772
Interest accrued but not due	<b>7,634,440</b>	10,336,018
Payable to capital creditors	<b>6,582,673</b>	–
<b>Total</b>	<b>462,736,686</b>	405,821,129

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

**12. Short Term Provisions**

	<b>September 30, 2014</b>	September 30, 2013
	₹	₹
Provision For Gratuity	<b>300,458</b>	276,285
Provision For Leave Encashment	<b>5,119,890</b>	5,462,773
<b>Total</b>	<b>5,420,348</b>	5,739,058

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**13. FIXED ASSETS**

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.10.2013	Addition	Deduction	As on 30.09.2014	As on 01.10.2013	For the year/period	OnDeductions during the year/period	As on 30.09.2014	As on 30.09.2014	As on 01.10.2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>A. Tangible Assets</b>										
Leasehold Land	150,000	-	-	150,000	150,000	-	-	150,000	-	-
Freehold Land	2,245,450	-	-	2,245,450	-	-	-	-	2,245,450	2,245,450
Factory Building	614,235,598	2,445,893	-	616,681,491	241,930,636	19,745,466	-	261,676,102	355,005,389	372,304,962
Residential Building	83,230,369	-	-	83,230,369	20,157,210	1,350,762	-	21,507,972	61,722,397	63,073,159
Canal Lining	122,884	-	-	122,884	116,740	-	-	116,740	6,144	6,144
Plant and Machinery	3,300,149,285	11,548,417	275,040	3,311,422,662	2,299,809,295	94,587,188	60,493	2,394,335,990	917,086,672	1,000,339,990
Furniture, Fixtures and Office Equipment	74,362,912	562,174	86,290	74,838,796	50,876,672	3,210,796	44,245	54,043,223	20,795,573	23,486,240
Vehicles	16,052,427	-	-	16,052,427	14,146,482	382,253	-	14,528,735	1,523,692	1,905,945
<b>Total Tangible Assets</b>	<b>4,090,548,925</b>	<b>14,556,484</b>	<b>361,330</b>	<b>4,104,744,079</b>	<b>2,627,187,035</b>	<b>119,276,465</b>	<b>104,738</b>	<b>2,746,358,762</b>	<b>1,358,385,317</b>	<b>1,463,361,891</b>
<i>Previous Year</i>	<i>4,014,591,836</i>	<i>84,996,995</i>	<i>9,039,906</i>	<i>4,090,548,925</i>	<i>2,518,595,616</i>	<i>117,551,033</i>	<i>8,959,614</i>	<i>2,627,187,035</i>	<i>1,463,361,891</i>	
<b>B. Intangible Assets</b>										
Computer Software	22,425,697	-	-	22,425,697	8,544,215	291,780	-	8,835,995	13,589,702	13,881,481
<b>Total Intangible Assets</b>	<b>22,425,697</b>	<b>-</b>	<b>-</b>	<b>22,425,697</b>	<b>8,544,215</b>	<b>291,780</b>	<b>-</b>	<b>8,835,995</b>	<b>13,589,702</b>	<b>13,881,481</b>
<i>Previous Year</i>	<i>20,571,697</i>	<i>1,854,000</i>	<i>-</i>	<i>22,425,697</i>	<i>8,271,980</i>	<i>272,236</i>	<i>-</i>	<i>8,544,216</i>	<i>13,881,481</i>	<i>-</i>

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

Particulars	September 30, 2014	September 30, 2013
	₹	₹
Interest cost Capitalised	0	6,308,828

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**14. Non Current Investments**

	September 30, 2014	September 30, 2013
	₹	₹
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	-
<b>Subsidiary</b>		
In unquoted 24,990,000 equity shares of Rs. 10 each fully paid up of Gokak Power & Energy Limited	-	-
<b>Total</b>	<b>52,502</b>	<b>50,002</b>

**15. Deferred Tax Asset**

	September 30, 2014	September 30, 2013
	₹	₹
<u>Deferred Tax Liability</u>		
Depreciation	75,791,396	-
<u>Deferred Tax Asset</u>		
Unabsorbed depreciation and brought forward business loss	93,513,282	-
Provision For Employee Benefits	1,120,477	-
<b>Total</b>	<b>18,842,363</b>	<b>-</b>

**16. Long Term Loans and Advances**

	September 30, 2014	September 30, 2013
	₹	₹
<u>Unsecured, considered good</u>		
Advances Recoverable in cash or Kind for value to be received	4,549,446	4,613,471
Capital Advances	120,000	-
Balances with Excise Authorities	89,286,435	81,227,260
Balances with Sales Tax Authorities	64,299,307	76,607,973
Deposits	21,354,087	21,490,853
Advance Tax (Net of provision for taxes Rs.23,861,697; Previous Year: 27,534,046)	8,246,245	5,034,046
<b>Total</b>	<b>187,855,520</b>	<b>188,973,603</b>

**17. Inventories**

	September 30, 2014	September 30, 2013
	₹	₹
Raw materials	188,168,313	171,442,981
Work in Progress	122,869,867	137,801,770
Finished goods	631,114,719	446,050,833
Stores and Spares including Fuel and Packing Material	57,941,252	53,279,894
<b>Total</b>	<b>1,000,094,151</b>	<b>808,575,478</b>

**18. Trade Receivables (Refer Note 41)**

	September 30, 2014	September 30, 2013
	₹	₹
<u>Outstanding for a period exceeding six months</u>		
Considered good	21,624,088	24,887,256
Considered doubtful	60,603,730	55,479,803
	<b>82,227,818</b>	<b>80,367,059</b>
<u>Other Debts</u>		
Considered good	155,744,357	203,780,860
Less: Provision for doubtful debts	60,603,730	55,479,803
<b>Total</b>	<b>177,368,445</b>	<b>228,668,116</b>

## Annual Report

2013 - 2014

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 19. Cash and Bank Balances

	September 30, 2014	September 30, 2013
	₹	₹
Cash on Hand	991,198	1,146,822
<u>Balances with banks</u>		
In current accounts	4,427,138	9,291,072
In deposit accounts	80,200,641	76,157,224
<b>Total</b>	<b>85,618,977</b>	<b>86,595,118</b>

#### 20. Short-term Loans and advances

	September 30, 2014	September 30, 2013
	₹	₹
<u>Unsecured, considered good</u>		
Advances Recoverable in cash or Kind for value to be received		
- Considered good	34,612,275	39,173,842
- Considered doubtful	471,227	-
Prepaid Expenses	8,648,180	10,581,973
Advances to Suppliers	21,606,760	15,343,704
Minimum Alternate Tax Credit Entitlement	23,861,697	22,500,000
Other Receivables	451,468	451,470
Less: Provision for doubtful advances	471,227	-
<b>Total</b>	<b>89,180,380</b>	<b>88,050,989</b>

#### 21. Other Current Assets

	September 30, 2014	September 30, 2013
	₹	₹
Interest Subsidy Receivable	6,134,476	8,940,490
Interest Accrued	3,010,141	2,878,938
Fixed assets held for sale	12,500,000	12,500,000
REC Receivable	53,167,500	-
<b>Total</b>	<b>74,812,117</b>	<b>24,319,428</b>

#### 22. Revenue from Operations

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Sale of		
Finished Goods	3,332,320,490	3,470,483,720
Trading Goods	-	103,879
Electricity	4,154,763	1,741,980
Processing Income	69,289,688	88,343,725
	<b>3,405,764,941</b>	<b>3,560,673,304</b>
Less: Excise Duty	-	4,415,852
<b>Total</b>	<b>3,405,764,941</b>	<b>3,556,257,452</b>



**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Details of Finished Goods Sold**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Grey Yarn	2,460,709,262	2,422,781,031
Blended Yarn	41,244,352	60,986,936
Dyed Yarn	580,334,878	541,374,689
Canvas	197,429,601	245,145,563
Apparels	34,757,922	177,996,536
Others	17,844,475	22,198,965
<b>Total</b>	<b>3,332,320,490</b>	<b>3,470,483,720</b>

**Details of Trading Goods Sold**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Trading Cotton	-	103,879
<b>Total</b>	-	103,879

**23. Other Operating Income**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Scrap Sales	7,551,720	6,010,209
Export Benefits	8,427,742	18,231,012
Revenue from REC	56,737,500	-
<b>Total</b>	<b>72,716,962</b>	<b>24,241,221</b>

**24. Other Income**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<u>Interest Income</u>		
- From subsidiary	-	-
- Others	8,397,058	4,868,850
Miscellaneous Income	7,897,687	9,710,999
Exchange Gain (Net)	6,576,150	4,644,624
Profit on Sale of Fixed Assets (Net)	5,422	894,708
<b>Total</b>	<b>22,876,317</b>	<b>20,119,181</b>

## Annual Report

2013 - 2014

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 25. Cost of Raw Materials Consumed

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Opening Stock of Raw Material	171,442,981	153,706,061
Add : Purchases	2,368,297,531	2,296,842,649
	<b>2,539,740,512</b>	2,450,548,710
Less : Closing Stock of Raw Material	188,168,313	171,442,981
<b>Total</b>	<b>2,351,572,199</b>	2,279,105,729

#### Details of Raw Material Consumed

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Cotton	2,151,920,021	2,072,892,415
Staple Fibre	83,921,075	76,068,937
Bought Waste	34,472,209	26,856,287
Yarn	1,992,600	6,707,651
Others	79,266,294	96,580,439
<b>Total</b>	<b>2,351,572,199</b>	2,279,105,729

#### 26. Purchase of Stock-in-trade

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Trading Stock	-	196,508
<b>Total</b>	-	196,508

#### 27. Change In Inventory of Finished Goods and Work-in-Progress

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Closing Stocks: Finished goods	631,114,719	446,050,833
Work in Progress	122,869,867	137,801,770
	<b>753,984,586</b>	583,852,603
Opening Stocks: Finished goods	446,050,833	356,294,347
Work in Progress	137,801,770	151,766,862
	<b>583,852,603</b>	508,061,209
<b>Total</b>	<b>(170,131,983)</b>	(75,791,394)

#### Details of Inventory

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<b>Finished Goods</b>		
Grey Yarn	326,619,684	274,468,406
PC Yarn	6,555,335	7,277,920
Dyed Yarn	38,647,821	36,072,906
Canvas	133,255,825	63,909,262
Apparels	125,184,348	61,750,022
Terry Towel	599,477	1,997,726
Others	252,229	574,591
<b>Total</b>	<b>631,114,719</b>	446,050,833

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Details of Inventory (Cont.....)**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<b>Work in Progress</b>		
Cotton Yarn	106,608,596	92,386,881
Loose Grey Cloth & Fabric	4,754,666	6,297,975
Apparels	11,506,605	39,116,914
<b>Total</b>	<b>122,869,867</b>	<b>137,801,770</b>

**28. Employee Benefit Expenses**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Salaries, Wages, Bonus and Exgratia	347,865,566	338,673,122
Contribution to Provident & Other Funds	72,602,309	51,361,438
Workmen and Staff Welfare Expenses	36,121,379	34,975,710
<b>Total</b>	<b>456,589,253</b>	<b>425,010,270</b>

**27. Other Expenses**

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Consumption of Stores & Spares	27,189,732	14,278,417
Consumption of Packing material	67,123,577	69,316,061
Power and Fuel	343,753,696	308,796,982
Water Royalty Charges	6,366,623	8,093,743
Processing Charges	861,937	2,171,816
Repairs & Maintenance		
Buildings	3,464,397	2,965,024
Plant & Machinery	44,614,516	37,127,797
Others	33,412,879	23,359,302
	<b>81,491,792</b>	63,452,123
Rent	9,021,446	9,704,701
Rates and Taxes	16,711,492	7,672,237
Insurance	10,394,830	10,818,360
Legal and Professional Fees	16,897,772	15,476,188
Hank Yarn Obligation	3,029,228	4,139,092
Printing & Stationery	2,366,876	2,166,374
Postage, Telegram and Courier Charges	3,000,025	3,772,938
Freight & Forwarding	38,819,813	43,310,616
Travelling and Conveyance	6,386,809	7,087,979
Commission and Discount	46,148,011	48,487,498
Marketing and Selling	35,100	6,255,216
Provision for Doubtful debts	5,123,927	(59,853,006)
Bad Debts	-	63,897,684
Provision for doubtful advances	471,227	
Excise Duty Paid	-	-
Directors' Meeting Fees	662,924	630,216
Exchange Loss (Net)	-	-
Miscellaneous Expenses	32,920,247	22,246,864
<b>Total</b>	<b>718,777,084</b>	<b>651,922,099</b>

## Annual Report

2013 - 2014

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

#### 30. Finance Cost :

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Interest on Term Loan	175,891,390	141,869,671
Others	155,231,502	168,536,663
Other Borrowing Cost	7,777,390	10,305,596
Exchange Loss on foreign currency borrowings	-	-
<b>Total</b>	<b>338,900,282</b>	<b>320,711,930</b>

#### 31. Contingent liabilities :

Contingent liabilities not provided in respect of :

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
A) Bills Discounted	39,158,425	22,052,045
B) Guarantees issued by bank Corporate Guarantee to Other	24,781,791	12,657,622
C) Taxes in dispute :- Entry Tax/Special Entry tax	11,458,194	14,458,194
Income tax matters	300,912	300,912
Excise Demands	16,600,425	16,600,425
Provident Fund	2,810,682	2,810,682
D) Labour Matters in Dispute	4,886,272	4,986,272
E) Bonds given by Company in favour of Customs Authorities	478,320,557	478,320,557
F) Other Demands Contested by the Company Creditors Claim	71,471	71,471
Electricity Duty	955,893	955,893
<b>Total</b>	<b>579,344,622</b>	<b>553,214,073</b>

32. During the year, a special resolution seeking the approval of Shareholders for the divestment of Knitwear Division has been passed by the requisite majority as per the postal ballot announced on 6th Decemembr 2013. The Company is in the process of locating a buyer.

33. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 24,41,295 (Previous Year: Rs.48,09,872).

34. 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.

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**
**35. Gratuity :**

	September 30, 2014	September 30, 2013
	₹	₹
<b>a) Change in Present Value of Obligation</b>		
Present value of the obligation at the beginning of the year	147,919,587	138,460,647
Benefits earned during the year	12,802,213	10,846,099
Current Service Cost	7,146,326	6,832,253
Interest Cost	880,349	451,944
Past Service Cost - Vested Benefit	—	—
Actuarial (Gain) / Loss on Obligation	18,032,689	(3,155,040)
Benefits Paid	(20,977,659)	(8,294,952)
Present value of the obligation at the end of the year	165,803,505	145,140,951
<b>b) Change in Plan Assets</b>		
Fair value of Plan Assets at the beginning of the year	141,180,937	131,467,867
Expected return on Plan Assets	12,141,561	10,517,429
Actuarial Gain / (Loss) on Plan Assets	871,997	2,943,552
Contributions by Plan Participants	20,413,975	5,339,780
Benefits Paid	(18,461,401)	(9,087,691)
Fair value of Plan Assets at the end of the year	156,147,069	141,180,937
<b>c) Amounts Recognised in the Balance Sheet</b>		
Present value of Obligation at the end of the year	165,803,505,	147,919,587
Fair value of Plan Assets at the end of the year	(156,147,069)	(138,402,301)
Funded Status	(1,047,582)	2,778,636
Net Obligation at the end of the year	10,704,018	9,517,286
<b>d) Amounts Recognised in the Statement of Profit &amp; Loss</b>		
Current Service Cost	7,146,326	6,832,253
Interest cost on Obligation	13,682,562	11,298,043
Expected return on Plan Assets	(12,141,561)	(10,517,429)
Net Actuarial (Gain) / Loss recognised in the year	17,160,692	(6,098,592)
Past Service Cost - Vested Benefit recognised in the year	—	—
Expenses recognized in Profit & Loss Account	25,848,019	1,514,275
<b>e) Actual return on Plan Assets</b>		
Expected return on Plan Assets	12,141,561	10,517,429
Actuarial Gain / (Loss) on Plan Assets	871,997	2,943,552
Actual return on Plan Assets	13,013,558	13,460,981
<b>f) Actuarial Assumptions</b>		
i) Discount Rate	8.89%	9.25%
ii) Expected Rate of Return on Plan Assets	8.70%	8.60%
iii) Salary Escalation Rate	4.00% & 5.00%	4.00%
iv) Attrition Rate	2.00%	2.00%
v) Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	LIC 1994-96  Ultimate

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

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

## Annual Report

2013 - 2014

### CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
Net (Loss)/Profit after tax (Rs.)	(257,974,642)	(64,134,470)
Weighted average number of Equity Shares outstanding	6,499,308	6,499,308
Nominal Value of Share (Rs.)	10	10
Basic and Diluted Earnings per share (in Rs.)	(39.69)	(9.87)

38. The Company has decided to change the Financial Year as per the provisions of the Companies Act, 2013, from September to March, from March 2015. Current Financial Year is closed on 30th September 2014. The next Financial Year will be for six months ending on 31st March 2015.

#### 39. Related Party Disclosures:

##### A Names of the related parties and description of relationship

###### I) Holding Company

Shapoorji Pallonji & Company Limited

###### II) Subsidiary

Gokak Power & Energy Limited

###### III) Fellow Subsidiaries

Forbes & Company Limited

Volkart Fleming Shipping & Services Limited

Eureka Forbes Limited

Forbes Technosys Limited

Forbes Doris & Naess Maritime Limited

Forvol International Services Limited

Shapoorji Pallonji Infrastructure Capital Company Limited

###### IV) Key Managerial Personnel

Mr. H. S. Bhaskar : Whole Time Director

##### B. Particulars of transaction with Related Parties

(Amount in ₹)

Year ended September 30, 2014 (₹) Year ended September 30, 2013 (₹)	Holding Company	Fellow Subsidiaries	Key Managerial Personnel	Total
<b><u>Nature of Transactions</u></b>				
<b>Sales</b>	5,363,261	36,347	-	5,399,608
<i>Previous Year</i>	1,843,645	326,631	-	2,170,276
<b>Services Received</b>	-	883,943	-	883,943
<i>Previous Year</i>	-	1,639,010	-	1,639,010
<b>Rent</b>	-	351,374	-	351,374
<i>Previous Year</i>	-	500,963	-	500,963
<b>Remuneration</b>	-	-	4,987,584	4,987,584
<i>Previous Year</i>	-	-	5,230,016	5,230,016
<b>Services Rendered</b>	-	-	-	-
<i>Previous Year</i>	-	107,978	-	107,978
<b>Expenses/Payments incurred on behalf</b>	-	147,975	-	147,975
<i>Previous Year</i>	-	1,123,436	-	1,123,436
<b>Receivables</b>	3,904,000	1,800,207	-	5,704,207
<i>Previous Year</i>	2,420,466	1,631,541	-	4,052,007
<b>Payables</b>	-	3,517,095	1,200,000	4,717,095
<i>Previous Year</i>	-	4,065,542	1,200,000	5,265,542

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Details of Related Party Transactions**

Nature of Transaction	Year ended September 30, 2014	Year ended September 30, 2013
	₹	₹
<b>Sales</b>		
Shapoorji Pallonji & Company Limited	5,363,261	1,843,645
Forbes & Company Limited	36,347	326,631
<b>Services Received</b>		
Forvol International Services Limited	353,199	260,265
Eureka Forbes Limited	87,197	94,526
Forbes & Company Limited	443,547	1,284,219
<b>Rent</b>		
Forbes & Company Limited	351,374	500,963
<b>Expenses/Payments incurred on behalf</b>		
Forbes & Co Limited	147,975	1,033,937
Volkart Fleming Shipping & Services Limited	–	89,499
<b>Directors Remuneration</b>		
Mr. H.S. Bhaskar	4,987,584	5,230,016
<b>Services Rendered</b>		
Eureka Forbes Limited	–	107,978
<b>Receivables</b>		
Shapoorji Pallonji & Company Limited	3,904,000	2,420,466
Eureka Forbes Limited	–	15,656
Forbes & Company Limited	1,800,207	1,615,885
<b>Payables</b>		
Volkart Fleming Shipping & Services Limited	910,501	910,501
Eureka Forbes Limited	35,750	35,750
Forvol International Services Limited	15,335	7,828
Forbes & Company Limited	2,555,509	3,111,463
Mr. H.S. Bhaskar	1,200,000	1,200,000

**Annual Report**  
**2013 - 2014**

**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**40. Segment Information:**

Particulars	Year ended September 30, 2014			Year ended September 30, 2013		
	Textile ₹	Electricity & Power ₹	Total ₹	Textile ₹	Electricity & Power ₹	Total ₹
<b>Segment Revenue:</b>						
Total External Revenue	3,432,001,924	60,959,238	3,492,961,162	3,593,820,238	1,928,766	3,595,749,004
Inter Segment Revenue	–	125,598,223	125,598,223	–	155,316,916	155,316,916
<b>Net turnover before Inter-Segment Eliminations</b>	<b>3,432,001,924</b>	<b>186,557,461</b>	<b>3,618,559,385</b>	3,593,820,238	157,245,682	3,751,065,920
<i>Less:</i> Inter-Segment Elimination	–	(125,598,223)	(125,598,223)	–	(155,316,916)	(155,316,916)
<b>Net Turnover</b>	<b>3,432,001,924</b>	<b>60,959,238</b>	<b>3,492,961,162</b>	3,593,820,238	1,928,766	3,595,749,004
<b>Segment Results:</b>						
Profit/(Loss) before Tax and Interest and before Inter-Segment Elimination	(118,075,693)	98,337,851	(19,737,842)	76,767,271	84,621,004	161,388,275
<i>Less:</i> Inter-Segment Elimination (Expense)/Income	(117,840,823)	81,516,617	(36,324,206)	(155,316,916)	119,222,668	(36,094,248)
<b>Profit/(Loss) before Tax and Interest and after Inter-Segment Elimination</b>	<b>(234,870)</b>	<b>16,821,234</b>	<b>16,586,364</b>	232,084,187	(34,601,664)	197,482,523
<i>Add:</i> Interest Expense (Net)			330,503,224			315,843,080
<i>Add:</i> Unallocated Expenses			–			–
<b>Profit / (Loss) Before Tax</b>			<b>(313,916,860)</b>			<b>(118,360,557)</b>
Taxes			(22,754,705)			15,976,194
<b>Net Profit /(Loss) After Tax</b>			<b>(291,162,155)</b>			<b>(134,336,751)</b>
<b>Segment Assets:</b>						
Segment Assets	2,506,604,043	367,559,857	2,874,163,900	2,463,408,005	318,370,509	2,781,778,514
Unallocated Assets			142,026,872			123,069,654
<b>Total Assets</b>			<b>3,016,190,772</b>			<b>2,904,848,168</b>
<b>Segment Liabilities:</b>						
Segment Liabilities	1,671,643,400	8,853,193	1,680,496,593	1,518,722,513	9,063,359	1,527,785,872
Unallocated Liabilities			1,767,487,078			1,550,880,553
<b>Total Liabilities</b>			<b>3,447,983,671</b>			<b>3,078,666,425</b>
<b>Capital Employed:</b>						
Unallocated Capital & Reserves			(431,792,899)			(173,818,258)
<b>Other Information:</b>						
Capital Expenditure						
Depreciation	103,505,036	16,063,209	119,568,245	104,300,582	13,522,687	117,823,269

**Notes:**

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

**41.** 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.

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



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No:		State Code.
<input type="text" value="L17116KA2006PLC038839"/>		<input type="text" value="08"/>
Balance Sheet Date	<input type="text" value="30"/> <input type="text" value="09"/> <input type="text" value="2014"/>	
	Date Month Year	

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

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

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

Total Liabilities	<input type="text" value="2,885,802"/>	Total Assets	<input type="text" value="2,885,802"/>
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid up Capital	<input type="text" value="64,993"/>	Net Fixed Assets	<input type="text" value="1,077,870"/>
Reserves and Surplus	<input type="text" value="294,237"/>	Investments	<input type="text" value="249,952"/>
Secured Loan	<input type="text" value="535,520"/>	Current Assets	<input type="text" value="1,557,980"/>
Current Liabilities	<input type="text" value="1,928,466"/>		
Deferred Tax Liability (Net)	<input type="text" value="62,586"/>		

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

Turnover	<input type="text" value="3,441,253"/>
Total Expenditure	<input type="text" value="3,786,439"/>
Profit / Loss before tax	<input type="text" value="(345,185)"/>
Profit / Loss after tax	<input type="text" value="(341,273)"/>
Earning per share in Rs.	<input type="text" value="(52.51)"/>
Dividend Rate %	<input type="text" value="-"/>

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

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

H. S. BHASKAR

*Executive Director & CEO*

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

}

*Director*

GOVINDA R. KADEKAR  
K. RAMANANDA PAI

*Chief Financial Officer*  
*Company Secretary*

**GOKAK POWER & ENERGY LIMITED**  
**A SUBSIDIARY COMPANY**



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

**Annual Report**  
**2013 - 2014**

**DIRECTORS' REPORT**

To,  
The Shareholders

Your Directors are pleased to present their Third Report and Audited Accounts of the Company for the year ended 30<sup>th</sup> September, 2014.

**1. FINANCIAL RESULTS:**

The summarized financial results are set out below :

Particulars	(Rs. in Lakhs)	
	For the year from 01.10.2013 to 30.09.2014 ended 30 <sup>th</sup> September, 2014	For the year from 01.10.2012 to 30.09.2013 ended 30 <sup>th</sup> September, 2013
(a) Gross Revenue	<b>1934.60</b>	1606.33
<i>Less: Costs</i>	<b>280.75</b>	230.08
(b) Balance	<b>1653.85</b>	1376.25
<i>Less: Interest</i>	<b>1180.53</b>	1132.79
(c) Cash Profit/(Loss)	<b>473.32</b>	243.46
<i>Less: Depreciation</i>	<b>523.87</b>	496.17
(d) Profit /(Loss) after depreciation carried to Balance Sheet	<b>(50.55)</b>	(252.71)
<i>Add : Deferred Tax Asset</i>	<b>188.42</b>	-
(e) Net Profit/ (Loss)	<b>137.87</b>	(252.71)

**2. SHARE CAPITAL & DIVIDEND:**

The Paid up Share Capital of the Company is Rs.49 Crores. Your Directors do not recommend any dividend for the year.

**3. OPERATIONS :**

During the year under review, your Company has made a Net profit of Rs.137.87 lakhs after adding Deferred Tax Assets of Rs.188.42 lakhs. Coupled with the delayed monsoon by 30 days, the overall flow of water in the Falls is reduced in terms of number of days during the financial year under review. As a result of which, Company lost the generation of electric power to the tune of 10 million units affecting the revenue by around Rs.5 crores including that of Renewable Energy Certificate. As a result of less generation, the company has faced an operating loss of Rs.50.55 lakhs. If the monsoon were to be normal, Company would have recorded healthy operating profit.

Mini Hydro projects are entitled for Renewable Energy Certificates in proportion to its generation. Company has accounted Renewable Energy Certificate's on accrued basis.

**4. DIRECTORS:**

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

As per the provisions of Section 149,150,152 and other applicable provisions of the Companies Act, 2013, and Rules made there under it is proposed to appoint Mr.Kaiwan Kalyaniwalla as an Independent Director for a term of five consecutive years and he shall not be liable to retire by rotation. Mr.Kaiwan Kalyaniwalla

has given declaration to the Company in terms of provisions of Section 149(6) of the Companies Act, 2013 read with Schedule IV of the Act, and he meets the criteria of independence. Accordingly, resolutions proposing appointment of Independent Director form part of the Notice of the Annual General Meeting. Particulars of Directors, who are proposed to be appointed /re-appointed at the ensuing Annual General Meeting are furnished as a separate statement Annexed to the Explanatory Statement of the Notice.

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

**5. DIRECTORS RESPONSIBILITY STATEMENT:**

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

- a. in the preparation of the annual accounts for the financial year from 01.10.2013 to 30.09.2014, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b. that they have selected such accounting policies and applied them consistently and made 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 01.10.2013 to 30.09.2014 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.

**6. AUDITORS AND AUDIT REPORT:**

Messrs. Muruges & Co., Chartered Accountants are proposed to be reappointed as the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting of the Company to the conclusion of the 6<sup>th</sup> Annual General Meeting of the Company to be held during 2017 and they are eligible for reappointment.

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

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



**8. PARTICULARS OF EMPLOYEES:**

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

**9. OUTLOOK :**

The monsoon for the water year 2014 delayed almost a month, which resulted into loss of power generation by approximately 10 million units thereby affecting the revenue of the Company substantially. During the latter part of monsoon season Hidkal Dam which has a capacity of 49 TMC has filled up. As of date large quantity of water is available in the Dam. Due to delayed monsoon, Irrigation Department was unable to provide the full quantity of water to Kharif crop. In order to sustain agriculture production, Irrigation Department may release more water for Rabi crops. This coupled with the increase in command area may result into shortage of water during future months, which may affect the generation of power consequently affecting the bottom line.

Your Company has identified additional two hydro power projects in Bhadra river bank in the State of Karnataka. These two hydro projects have a potential of installing 9 MW hydro power plant each. Company has made application to Government of Karnataka for approval of these two projects as per Karnataka Renewable Energy Policy. Company expects to receive the approval during the coming financial year.

**10. ACKNOWLEDGEMENT:**

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

For and on behalf of the  
Board of Directors

**S Mukundan**  
Chairman

Mumbai  
10<sup>th</sup> November, 2014.

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

Annexure

**Information as required under the Companies**

**(Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.**

**(A) CONSERVATION OF ENERGY:**

Measures taken during the year include the following:

**(a) ENERGY CONSERVATION MEASURES TAKEN FOR THE YEAR 2013-2014:**

1. Replaced ordinary ballast by new electronic ballast in the tube light.
2. Replaced CFL/LED type streetlights in place of sodium vapour lamps.
3. Continuous monitoring of water leakages and oil leakages to reduce the pump operation
4. Sand Blasting and Sealing of all joints by Rock cement and Epoxy to prevent H<sub>2</sub> O leakage, water leakages in RCC penstock for saving water and thereby increasing power generation.

**(b) ADDITIONAL INVESTMENT PROPOSALS:**

1. Oil and Water leakages to be attended to reduce the auxiliary power consumption.
2. Adopting Scientific Method to prevent water leakage in Open Canal to save water and thereby increase the power generation.
3. Timers and sirens are to be fixed for Switching ON/OFF lightening for inside and outside powerhouse.
4. Ventilation and Exhaust fan automation to control required temperature by utilising temperature controller to save auxiliary energy consumption.

## Annual Report 2013 - 2014

---

### INDEPENDENT AUDITOR'S REPORT

To the Members of

**GOKAK POWER & ENERGY LIMITED**

#### Report on the Financial Statements

We have audited the accompanying financial statements of **GOKAK POWER & ENERGY LIMITED** (the "Company"), which comprise the Balance Sheet as at September 30, 2014, 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, which we have signed under reference to this report.

#### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under 'the Companies Act, 1956' of India (the "Act") read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

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

- (a) in case of Balance Sheet, of the state of affairs of the Company as at September 30, 2014;
- (b) in case of Statement of Profit and Loss, of the Profit for the year ended on that date; and
- (c) in case of Cash Flow Statement, of the Cash flows for the year ended on that date;

#### Report On Other Legal and Regulatory Requirements

As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- (e) On the basis of written representations received from the directors as on September 30, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

**For MURUGESH & Co.,**  
*Chartered Accountants*  
FRN 002233S

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

Place : Bangalore

Date : 10<sup>th</sup> November, 2014



## ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

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

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

- i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.  
(b) In our opinion and according to the information and explanations given to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.  
(c) In our opinion and according to the information and explanations given to us, substantial portion of fixed asset has not been disposed of during the year and therefore does not affect the going concern assumption.
- ii. (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
- iii. (a) In our opinion and according to the information and explanations given to us, the company has not granted interest free unsecured loans to parties listed in the register maintained under section 301 of the Act.  
(b) The company has not taken unsecured loans from directors and their relatives and the terms of such loans are not prejudicial to the interest of the company.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
- v. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements that need to be entered in to the register maintained under the section 301 of the companies Act are being entered.  
(b) In our opinion and according to the information and explanations given to us and in our opinion, the transactions entered into by the company with parties covered u/s 301 of the Act have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
- vi. The Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
- vii. In our opinion, as per information and explanations given by the management, the internal audit system is commensurate with the size of the company and the nature of its business.
- viii. According to the information and explanations given to us, the Central government has not prescribed maintenance of cost records under section 209(1) (d) of the companies Act, 1956, for any of any products of the company.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 30th September, 2014 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
- x. Since the Company is registered for a period less than five year, the Provision the clause (x) of the order is not applicable.
- xi. In our opinion and according to the information & explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi /mutual benefit fund/society.
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
- xvi. According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet and cash flows of the Company and the information & explanations given to us, we report that no funds raised on short-term basis have been used for long term investment by the Company.
- xviii. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
- xix. According to the information and explanation given to us, the Company has not issued any debentures during the period under audit.
- xx. According to the information and explanation given to us, the Company has not raised any money by public issue during the year.
- xxi. According to the information and explanations give to us, no fraud on or by the Company has been noticed or reported during the course of audit.

**For MURUGESH & Co.,**

*Chartered Accountants*

FRN 002233S

**H.B.M.MURUGESH**

*Proprietor*

M. No. 020497

**Place :** Bangalore

**Date :** 10<sup>th</sup> November, 2014



**Annual Report**  
**2013 - 2014**

**BALANCE SHEET AS AT SEPTEMBER 30, 2014**

	Note	September 30, 2014	September 30, 2013
		₹	₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
(a) Share Capital	4	490,000,000	490,000,000
(b) Reserves and Surplus	5	(41,014,306)	(54,801,306)
		<u>448,985,694</u>	<u>435,198,694</u>
<b>2. Non-current liabilities</b>			
(a) Long Term Borrowings	6	725,150,000	791,200,000
(b) Other Long Term Liabilities	7	10,000,000	10,000,000
(c) Long Term Provisions	8	3,626,138	3,644,415
		<u>738,776,138</u>	<u>804,844,415</u>
<b>3. Current liabilities</b>			
(a) Short Term Borrowings		-	-
(b) Trade payables		-	-
(c) Other Current Liabilities	9	146,622,260	79,027,652
(d) Short-Term Provisions		-	-
		<u>146,622,260</u>	<u>79,027,652</u>
<b>TOTAL</b>		<u><u>1,334,384,093</u></u>	<u><u>1,319,070,761</u></u>
<b>II. ASSETS</b>			
<b>1. Non-current assets</b>			
<b>(a) Fixed Assets</b>			
Tangible assets	10	1,162,832,550	1,215,210,975
Intangible assets		-	-
Capital Work in Progress		9,591,298	96,068
		<u>1,172,423,848</u>	<u>1,215,307,043</u>
(b) Deferred Tax Asset (Net)	11	18,842,363	-
(c) Long-Term Loans And Advances		-	-
		<u>1,191,266,211</u>	<u>1,215,307,043</u>
<b>2. Current assets</b>			
(a) Inventories	12	971,765	-
(b) Trade Receivables	13	2,304,473	17,987,700
(c) Cash And Cash Equivalents	14	80,054,511	78,715,513
(d) Other Current Assets	15	59,787,133	7,060,505
		<u>143,117,882</u>	<u>103,763,718</u>
<b>TOTAL</b>		<u><u>1,334,384,093</u></u>	<u><u>1,319,070,761</u></u>
Significant Accounting Policies	1-3		

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

For and on behalf of  
**MURUGESH & CO.,**  
Chartered Accountants  
Firm Reg No. 002233S

**H B M MURUGESH**  
Proprietor  
Membership No.: 020497  
Bangalore  
Date: 10<sup>th</sup> November, 2014

**For GOKAK POWER AND ENERGY LIMITED**

**Mukundan Srinivasan**  
Chairman

**H. S. Bhaskar**  
Managing Director

**C. G. Shah**  
Director

**Kaiwan Kalyaniwalla**  
Director

**Govinda R Kadekar**  
Chief Financial Officer

**K Ramananda Pai**  
Company Secretary



**PROFIT AND LOSS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Note	September 30, 2014 ₹	September 30, 2013 ₹
<b>REVENUE</b>			
Revenue from operations	16	129,752,986	157,058,896
Other Income	16	63,707,293	3,574,287
<b>Total Revenue</b>		<b>193,460,279</b>	<b>160,633,183</b>
<b>EXPENSES</b>			
Cost of Raw Materials Consumed		–	–
Employee Benefit Expenses	17	8,538,873	6,720,183
Other expenses	18	19,535,921	16,287,561
Depreciation	10	52,387,415	49,616,935
Finance Costs	19	118,053,433	113,279,634
<b>Total expenses</b>		<b>198,515,642</b>	<b>185,904,314</b>
<b>Profit \ (Loss) before tax</b>		<b>(5,055,363)</b>	<b>(25,271,131)</b>
Tax expense			
Current tax			
Current year		–	–
Adjustments of earlier years		–	–
Deferred tax	11	18,842,363	–
<b>Profit \ (Loss) for the year</b>		<b>13,787,000</b>	<b>(25,271,131)</b>
Earnings per share (in Rs) (Basic and Diluted)		0.28	(0.52)
Significant Accounting Policies	1-3		

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

For and on behalf of  
**MURUGESH & CO.,**  
Chartered Accountants  
Firm Reg No. 002233S

**H B M MURUGESH**  
Proprietor  
Membership No.: 020497  
Bangalore  
Date: 10<sup>th</sup> November, 2014

**For GOKAK POWER AND ENERGY LIMITED**

**Mukundan Srinivasan**  
Chairman

**H. S. Bhaskar**  
Managing Director

**C. G. Shah**  
Director

**Kaiwan Kalyaniwalla**  
Director

**Govinda R Kadekar**  
Chief Financial Officer

**K Ramananda Pai**  
Company Secretary

**Annual Report**  
**2013 - 2014**

**CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Particulars	Year ended 30.09.2014		Year ended 30.09.2013	
	₹	₹	₹	₹
<b>A. Cash Flow from Operating Activities :</b>				
Profit\Loss for the year		(5,055,363)		(25,271,131)
<i>Adjustments for:</i>				
Depreciation for the year(Net of adjustments,if any)	52,387,415		49,616,935	
Finance Cost	118,053,433		113,279,634	
Interest & Dividend Income	(6,895,712)		(3,387,501)	
Provision for Long Term	(18,277)		3,644,415	
(Profit)/Loss on Sale of Fixed Assets	—	163,526,859	—	163,153,483
<b>Operating Profit (before working capital changes)</b>		<b>158,471,496</b>		<b>137,882,352</b>
<i>Adjustments for:</i>				
Inventory	(971,765)		—	
Receivables	15,683,227		(17,987,700)	
Short Term Loans Advances & Other Current Assets	(52,726,628)		(6,335,136)	
Current Liabilities	67,594,608	29,579,442	72,073,058	47,750,222
<b>Cash Flows from Operations (before Interest and Tax)</b>		<b>188,050,939</b>		<b>185,632,574</b>
Income Tax paid	—		—	
Wealth Tax paid	—		—	
<b>Net cash from operating activities</b>		<b>188,050,939</b>		<b>185,632,574</b>
<b>B. Cash Flow from Investing Activities :</b>				
Purchase of Fixed assets	(9,504,220)		(48,993,869)	
Interest received	6,895,712		3,387,501	
Profit on Sale of Fixed Assets	—		—	
<b>Net cash used in investing activities</b>		<b>(2,608,508)</b>		<b>(45,606,368)</b>
<b>C. Cash Flow from Financing Activities :</b>				
Proceeds from Issue of Shares	—		—	
Long Term Borrowings and Provision	(66,050,000)		(68,800,000)	
Finance Cost (Excl Exchange Loss)	(118,053,433)		(113,279,634)	
Foreign Exchange Fluctuations				
<b>Net cash from financing activities</b>		<b>(184,103,433)</b>		<b>(182,079,634)</b>
Net increase/ (decrease) in cash and cash equivalents		<b>1,338,998</b>		<b>(42,053,428)</b>
Cash and cash equivalents as at beginning		<b>78,715,513</b>		<b>120,768,941</b>
<b>Cash and cash equivalents as at closing</b>		<b>80,054,511</b>		<b>78,715,513</b>

The notes are an integral part of the these financial statements

As per our Report attached

For and on behalf of  
**MURUGESH & CO.,**  
*Chartered Accountants*  
Firm Reg No. 002233S

**H B M MURUGESH**

*Proprietor*

Membership No.: 020497

Bangalore

Date: 10<sup>th</sup> November, 2014

**For GOKAK POWER AND ENERGY LIMITED**

**Mukundan Srinivasan**  
*Chairman*

**H. S. Bhaskar**  
*Managing Director*

**C. G. Shah**  
*Director*

**Kaiwan Kalyaniwalla**  
*Director*

**Govinda R Kadekar**  
*Chief Financial Officer*

**K Ramananda Pai**  
*Company Secretary*



---

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>st</sup> OCTOBER 2013 TO 30<sup>th</sup> SEPTEMBER, 2014

### 1. Corporate Information

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

### 2. Preparation

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

### 3. Accounting Policies

#### (a) Use of Estimates :

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

#### (b) Fixed Assets :

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

#### (c) Depreciation /Amortisation:

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

#### (d) Investments :

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

#### (e) Borrowing cost :

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

#### (f) Revenue recognition :

**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.

#### (h) Provisions and Contingent Liability

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

#### (i) Accounting for Taxes on Income

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

**Annual Report**  
**2013 - 2014**

**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>st</sup> OCTOBER 2013 TO 30<sup>th</sup> SEPTEMBER, 2014**

**(j) Earnings per Share**

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

**(k) Impairment**

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

**4. Share Capital**

Particulars	September 30, 2014		September 30, 2013	
	Nos.	₹	Nos.	₹
<b>Authorised:</b> Equity Shares of ₹10 each	<b>50,000,000</b>	<b>500,000,000</b>	50,000,000	500,000,000
<b>Issued, Subscribed and Paid up</b> Equity Shares of ₹10 each fully paid	<b>49,000,000</b>	<b>490,000,000</b>	49,000,000	490,000,000
<b>Total</b>	<b>49,000,000</b>	<b>490,000,000</b>	49,000,000	490,000,000

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

Particulars	September 30, 2014		September 30, 2013	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	<b>49,000,000</b>	<b>490,000,000</b>	49,000,000	490,000,000
Add: Shares Issued during the year	—	—	—	—
Less :Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	<b>49,000,000</b>	<b>490,000,000</b>	49,000,000	490,000,000

**(B) Terms/rights attached to equity shares**

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

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

Name of the Shareholder	September 30, 2014		September 30, 2013	
	No.	%	No.	%
Gokak Textiles Limited	<b>24,990,000</b>	<b>51%</b>	24,990,000	51%
Shapoorji pallonji Infrastructure Capital Company Limited	<b>24,010,000</b>	<b>49%</b>	24,010,000	49%



**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>st</sup> OCTOBER 2013 TO 30<sup>th</sup> SEPTEMBER, 2014**

**5. Reserves & Surplus**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>General Reserve</b>		
Opening Balance		—
(+) Transfer from Profit and Loss	—	—
(-) Utilised for creation of Capital redemption reserve	—	—
(-) Utilised for premium on buy back of shares	—	—
Closing Balance	—	—
<b>Surplus/(Deficit) in Statement of Profit and Loss</b>		
Opening balance	(54,801,306)	(29,530,175)
(+) Net profit for the current year	13,787,000	(25,271,131)
(-) Transfer to General Reserve	—	—
Closing Balance	(41,014,306)	(54,801,306)

**6. Long Term borrowings**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>Secured</b>		
Term Loan	725,150,000	791,200,000
<b>Total</b>	725,150,000	791,200,000

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

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

**7. Other Long Term Liabilities**

	September 30, 2014 ₹	September 30, 2013 ₹
Deposits from Customers	10,000,000	10,000,000
<b>Total</b>	10,000,000	10,000,000

**8. Long Term Provisions**

	September 30, 2014 ₹	September 30, 2013 ₹
Provision For Gratuity	2,956,932	3,021,920
Provision For Leave Encashment	669,206	622,495
<b>Total</b>	3,626,138	3,644,415

**9. Other Current Liabilities**

	September 30, 2014 ₹	September 30, 2013 ₹
Current Maturities of Long Term Borrowings	60,450,000	68,800,000
Interest Accrued but not due	4,777,164	4,808,708
Advance received from Customer	76,168,042	—
Deposits	589,878	117,823
Other Payables	4,637,177	5,301,121
<b>Total</b>	146,622,260	79,027,652

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

**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>st</sup> OCTOBER 2013 TO 30<sup>th</sup> SEPTEMBER, 2014**

**10. Fixed Assets**

(Amount in ₹)

Description of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Opening balance as on Oct 1, 2013	Addition	Deduction	Closing balance as on Sept. 30, 2014	Cumulative depreciation upto Oct 1, 2013	Depreciation for the year	Cumulative Depreciation upto 30th SEPT, 2014	As on Sept 30, 2014	As on Sept 30, 2013
<b>A Tangible Assets</b>									
Building	743,061,664	-	-	743,061,664	24,800,981	24,818,260	49,619,241	693,442,423	718,260,683
Plant and Machinery	522,032,453	-	-	522,032,453	25,160,865	27,563,314	52,724,179	469,308,274	496,871,588
Furniture, Fixtures and Office Equipment	83,304	8,990	-	92,294	4,600	5,842	10,442	81,852	78,704
<b>Total Tangible Assets</b>	<b>1,265,177,421</b>	<b>8,990</b>	<b>-</b>	<b>1,265,186,411</b>	<b>49,966,446</b>	<b>52,387,415</b>	<b>102,353,861</b>	<b>1,162,832,550</b>	<b>1,215,210,975</b>
Previous Year	1,200,000,000	65,177,421	-	1,265,177,421	403,511	49,562,935	49,966,446	1,215,210,975	1,199,596,489
<b>B Intangible Assets</b>									
Computer Software	54,000	-	-	54,000	54,000	-	54,000	-	-
<b>Total Intangible Assets</b>	<b>54,000</b>	<b>-</b>	<b>-</b>	<b>54,000</b>	<b>54,000</b>	<b>-</b>	<b>54,000</b>	<b>-</b>	<b>34,937,978</b>
Previous Year	-	54,000	-	54,000	-	54,000	54,000	-	-

**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>ST</sup> OCTOBER 2013 TO 30<sup>TH</sup> SEPTEMBER, 2014****11. Deferred Tax Asset**

	September 30, 2014 ₹	September 30, 2013 ₹
<b><u>Tax effect of items constituting deferred tax assets:</u></b>		
Unabsorbed depreciation and brought forward business loss	93,513,282	—
Provision for Gratuity & Leave Encashment	1,120,477	—
<b><u>Tax effect of items constituting deferred tax liability:</u></b>		
on difference between book balance & tax balance of fixed assets	(75,791,396)	—
<b>Total</b>	<b>18,842,363</b>	—

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.

**12. Inventory**

	September 30, 2014 ₹	September 30, 2013 ₹
Stores & Spares	971,765	—
<b>Total</b>	<b>971,765</b>	—

**13. Trade Receivable**

	September 30, 2014 ₹	September 30, 2013 ₹
Outstanding for more than 6 months	—	—
Others	2,304,473	17,987,700
<b>Total</b>	<b>2,304,473</b>	<b>17,987,700</b>

**14. Cash and Bank Balances**

	September 30, 2014 ₹	September 30, 2013 ₹
Cash on Hand	9,896	35,096
<u>Balances with banks</u>		
In Current accounts	999,198	18,680,417
Deposit account IN DSRA	79,045,417	60,000,000
<b>Total</b>	<b>80,054,511</b>	<b>78,715,513</b>

**15. Other Current Assets**

	September 30, 2014 ₹	September 30, 2013 ₹
<u>Unsecured, considered good</u>		
Prepaid Expenses	976,875	2,579,090
TDS Receivable	676,886	—
Interest Accrued	3,010,141	2,878,938
Deposit	22,000	—
REC Income receivable	53,167,500	—
Advance to Suppliers	1,933,731	1,602,477
<b>Total</b>	<b>59,787,133</b>	<b>7,060,505</b>

**Annual Report**  
**2013 - 2014**

**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>st</sup> OCTOBER 2013 TO 30<sup>th</sup> SEPTEMBER, 2014**

**16. Revenue from Operations**

	September 30, 2014 ₹	September 30, 2013 ₹
Sale of Products	129,752,986	157,058,896
Other Income	63,707,293	3,574,287
<b>Total</b>	<b>193,460,279</b>	<b>160,633,183</b>

**17. Employee Benefit Expenses**

	September 30, 2014 ₹	September 30, 2013 ₹
Salaries, Wages, Bonus and Exgratia	8,538,873	6,720,183
<b>Total</b>	<b>8,538,873</b>	<b>6,720,183</b>

**18. Other Expenses**

	September 30, 2014 ₹	September 30, 2013 ₹
Hydro generating expenses	–	43,613
Rates and Taxes	1,130,693	1,482,695
Insurance	3,596,731	2,059,951
Legal and Professional Fees	2,906,109	1,188,248
Printing and Stationery	33,306	46,175
Travelling and Conveyance	279,619	160,999
Administrative expenses	74,206	102,439
Water Royalty Charges	6,366,623	8,093,743
Freight & Handling	36,261	29,406
Repairs & Maint	1,559,930	1,184,476
Audit Fees	146,068	160,113
Electricity Charges	148,842	95,651
Consumables	–	188,753
Stores & Spares consumed	3,257,534	1,451,299
<b>Total</b>	<b>19,535,921</b>	<b>16,287,561</b>

**19. Finance Cost**

	September 30, 2014 ₹	September 30, 2013 ₹
Finance Charges	282,885	277,379
Interest on Term Loan	117,770,548	113,002,255
<b>Total</b>	<b>118,053,433</b>	<b>113,279,634</b>





**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>st</sup> OCTOBER 2013 TO 30<sup>th</sup> SEPTEMBER, 2014**

**20. Gratuity**

	September 30, 2014 ₹	September 30, 2013 ₹
<b>a) Change in Present Value of Obligation</b>		
Present value of the obligation at the beginning of the year	2,778,636	2,653,017
Benefits earned during the year	-	368,903
Current Service Cost	82,814	-
Interest Cost	257,024	-
Past Service Cost - Vested Benefit	-	-
Actuarial (Gain) / Loss on Obligation	-	-
Benefits Paid	(161,852)	-
Present value of the obligation at the end of the year	2,956,622	3,021,920
<b>b) Change in Plan Assets</b>		
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	-	-
<b>c) Amounts Recognised in the Balance Sheet:</b>		
Present value of Obligation at the end of the year	2,956,622	3,021,920
Fair value of Plan Assets at the end of the year	-	-
Net Obligation at the end of the year	2,956,622	3,021,920
<b>d) Amounts Recognised in the statement of Profit &amp; Loss</b>		
Current Service Cost	82,814	-
Interest cost on Obligation	257,024	-
Expected return on Plan Assets	-	-
Net Actuarial (Gain) / Loss recognised in the year	-	-
Past Service Cost - Vested Benefit recognised in the year	-	-
Expenses recognized in Profit & Loss Account	339,838	-
<b>e) Actual return on Plan Assets</b>		
Expected return on Plan Assets	-	-
Actuarial Gain / (Loss) on Plan Assets	-	-
Actual return on Plan Assets	-	-
<b>f) Actuarial Assumptions</b>		
i) Discount Rate	8.87%	9.25%
ii) Expected Rate of Return on Plan Assets	-	-
iii) Salary Escalation Rate	5.00%	5.00%
iv) Attrition Rate	2.00%	2.00%
v) Mortality	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate

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

**Annual Report**  
**2013 - 2014**

**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1<sup>st</sup> OCTOBER 2013 TO 30<sup>th</sup> SEPTEMBER, 2014**

21. Disclosure of Trade Payables under current liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro Small and Medium Enterprises Development Act, 2006". Amounts overdue as on September 30, 2014 to Micro, Small and Medium Enterprises on account of Principal amount together with interest, aggregate to Rs. Nil (Previous year Rs. Nil)
22. 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
23. Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	September 30, 2014 ₹	September 30, 2013 ₹
Net Profit after Tax for the year (Rs.)	<b>13,787,000</b>	(25,271,131)
Weighted average number of Equity Shares outstanding	<b>49,000,000</b>	49,000,000
Nominal Value of Share (Rs.)	<b>10</b>	10
Earnings Per share (Basic and Diluted) (Rs.)	<b>0.28</b>	(0.52)

**24. Related Party Disclosures:**

**Names of the related parties and description of relationship**

**A D) Holding Company/Ultimate Holding Company**

Gokak Textiles Limited

**II) Subsidiaries**

**III) Associate Companies**

Shapoorji Pallonji Infrastructure Capital Company Limited

**IV) Key Managerial Personnel:**

Mr. H. S. Bhaskar : Managing Director

**B Particulars of transaction with Related Parties**

(Amount in ₹)

Nature of Transactions	Holding Company	Subsidiaries	Key Managerial Personnel
Sales	129,049,274	-	-
<i>Previous Year</i>	157,058,896	-	-
Purchase of Fixed Assets	-	-	-
<i>Previous Year</i>	-	-	-
Payables	76,168,042	-	-
<i>Previous Year</i>	15,919,820	-	-

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



**GOKAK TEXTILES LIMITED**

**CIN : L17116KA2006PLC038839**

**Registered Office : No.24, 29<sup>th</sup> Main, BTM Layout II Stage  
Bangalore- 560 076**

**Tel No.080 26689605 / 26689606 Fax : 08026689604**

**e-mail : ramanandapai@gokaktextiles.com website : gokakmills.com**

**ATTENDANCE SLIP**

1. I/ We certify that I am a registered Shareholder of the Company.
2. I / We hereby record my/our presence at the 8<sup>th</sup> Annual General Meeting of the Company on Monday, the 29<sup>th</sup> December, 2014 at 3.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001
3. I certify that I am a proxy appointed by the above-named shareholder(s)
4. Please strike out whichever is not applicable.

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

\*DP ID No.

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

- (1) Shareholder/Proxy holder must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
- (2) Shareholders are requested to advise change in their address, if any, to the Company's Registrars and Share Transfer Agents, TSR Darshaw Pvt. Ltd.

Unit : Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai - 400 011. The information should be signed by all the shareholders registered under the Ledger Folio.

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



**PROXY FORM**

[Form No. MGT-11]

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

**CIN** : L17116KA2006PLC038839  
**Name of the Company** : **GOKAK TEXTILES LIMITED**  
**Registered Office** : No.24, 29<sup>th</sup> Main, BTM Layout II Stage, Bangalore-560076  
Tel : 080 - 26689604, 26689605 Fax : 080 - 26689604  
**E-mail** : ramanandapai@gokaktextiles.com  
**Website** : www.gokakmills.com

**Name of the Member (s)** : .....

**Registered address** : .....  
.....

**E-mail Id** : .....

**Folio No./DP ID and Client ID** : .....

I/We, being the member(s) of..... equity shares of the above named Company, hereby appoint:

1. **Name** : .....  
**Address** : .....  
.....  
**E-mail ID** : .....  
**Signature** : ..... Or failing him/her

2. **Name** : .....  
**Address** : .....  
.....  
**E-mail ID** : .....  
**Signature** : ..... Or failing him/her

3. **Name** : .....  
**Address** : .....  
.....  
**E-mail ID** : .....  
**Signature** : ..... Or failing him/her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 8<sup>th</sup> Annual General Meeting of the Company, to be held on the Monday, the 29<sup>th</sup> December, 2014 at 3.00 p.m. at the Khincha Hall, Bharatiya Vidya Bhavana, Race Course Road, Bangalore – 560 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Item No.	Description of the businesses as set out in the Notice of the Annual General Meeting	I assent to the resolution FOR	I dissent to the resolution AGAINST
<b>Ordinary Business</b>			
1.	Adoption of the Audited Financial Statement for the financial year ended 30 <sup>th</sup> September, 2014, including Consolidated Financial Statement, Balance Sheet as at 30 <sup>th</sup> September, 2014 and the Statement of Profit & Loss account for the financial year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.		
2.	Appointment of a Director in place of Mr.Shapoor P. Mistry (DIN 00010114) who retires by rotation and being eligible, offers himself for re-appointment.		
3.	Appointment of Messrs. Kalyaniwalla&Mistry, Chartered Accountants (Registration No.104607W) as Statutory Auditors of the Company from the conclusion of this Annual General Meeting (AGM) until the conclusion of 11 <sup>th</sup> AGM to be held in the year 2017 subject to ratification at every AGM		
4.	Appointment of Messrs. Murugesh & Co., Chartered Accountant (Registration No.002233S) as Branch Auditors of the Company		
<b>Special Business</b>			
5.	Appointment of Mr.Pradip N. Kapadia(DIN 00078673) as an Independent Director of the Company for a term of 5 years.		
6.	Appointment of Mr.R.N.Jha (DIN 00033291) as an Independent Director of the Company for a term of One year.		
7.	Appointment of Mr.KaiwanKalyaniwalla(DIN 00060776) as an Independent Director of the Company for a term of 5 years.		
8.	Appointment of Mr.D.G.Prasad(DIN00160408) as an Independent Director of the Company for a term of 5 years.		
9.	Approval for the Borrowing Limits of the Company under Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013		
10.	Approval for the creation of mortgage/charges/hypothecation on the movable and immovable properties of the Company pursuant to Section 180(1)(a) and any other applicable provisions of the Companies Act, 2013		

Signed this:.....day of ..... 2014.

Affix  
Revenue  
Stamp

Signature of shareholder

Signature of Proxy holder(s)

**Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**

  
**GOKAK**<sup>TM</sup> TEXTILES LIMITED

CIN: L17116KA2006PLC038839

Registered Office:

# 24, 29th Main, BTM Layout, II Stage  
Bangalore – 560 076.