

1<sup>st</sup> annual report  
2005-2006



Quality  
lies in the details

## GTN TEXTILES LTD.

1<sup>st</sup> annual report  
2005-2006

## Board of Directors

M L Patodia	Chairman [from 28.10.2005]
B K Patodia	Vice Chairman & Managing Director
M K Patodia	Director [from 08.04.2005]
P K Kurian	[from 17.12.2005]
C D Thakker	[from 17.12.2005]
B L Singhal	[from 08.04.2005]
R Rajagopalan	[from 28.10.2005]
Prem Malik	[from 17.12.2005]
Umang Patodia	
P C Seksaria	[upto 17.12.2005]

General Manager &  
Company Secretary

E K Balakrishnan

## Bankers

Central Bank of India  
State Bank of India  
State Bank of Travancore

## Auditors

M/s. M S Jagannathan & Visvanathan,  
[Chartered Accountants], Coimbatore

## Corporate Advisors

M/s. Lodha &amp; Co., Mumbai

## Legal Advisors

M/s. Menon &amp; Pai, Kochi

## Registered Office

Door No: VIII/911, Erumathala P O.,  
Aluva 683 112, India

## Corporate Office

43, Mittal Chambers,  
228, Nariman Point, Mumbai 400 021, India

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**GTN TEXTILES LIMITED****NOTICE**

NOTICE is hereby given that the **FIRST** Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva – 683 101 at 12.15 p.m on Friday, the 28th day of July, 2006, to transact the following business.

**ORDINARY BUSINESS:**

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 and the Profit and Loss Account for the period ended on that date together with the Reports of Directors and the Auditors thereon.
- 2) To declare Dividend.
- 3) To appoint a Director in place of Shri.Umang Patodia, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

**SPECIAL BUSINESS:**

- 5) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that Shri.M K Patodia, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 110 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 8.4.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member and also deposit of Rs.500/- from him, signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

- 6) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that Shri.B L Singhal, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 110 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 8.4.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member and also deposit of Rs.500/- from him, signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as

the Director of the Company with effect from the date of Annual General Meeting".

- 7) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that Shri.M L Patodia, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 110 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 28.10.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member and also deposit of Rs.500/- from him, signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

- 8) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that Shri.R.Rajagopalan, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 110 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 28.10.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member and also deposit of Rs.500/- from him, signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

- 9) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that Shri.P K Kurian, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 110 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 17.12.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member and also deposit of Rs.500/- from him, signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

- 10) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

**NOTICE** (Contd.)

"RESOLVED that Shri.C D Thakker, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 110 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 17.12.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member and also deposit of Rs.500/- from him, signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

- 11) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that Shri.Prem Malik, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 110 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 17.12.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member and also deposit of Rs.500/- from him, signifying his intention to propose the candidature for the Office of Director under

Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

- 12) To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that the Board of Directors of the Company, be and are hereby, authorised pursuant to sub-section (1)(e) of section 293 of the Companies Act, 1956 on behalf of the Company to contribute and / or subscribe from time to time, in any financial year to any body, institute, society, person, trust or fund for any charitable or other purposes not directly related to the business of the Company or to the welfare of its employees upto a total amount of Rupees ten lacs or five percent of the average net profits as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater".

By Order of the Board  
For **GTN TEXTILES LIMITED**

**E K BALAKRISHNAN**  
General Manager &  
Company Secretary

Place : Kochi  
Date : 18th May, 2006

**NOTES:-**

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and the Proxy need not be a Member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto and forms part of the Notice.
3. Pursuant to the Scheme of Arrangement under Section 391 to 394 of the Companies Act, 1956, with regard to demerger approved by the Hon'ble High Court of Kerala on 9.12.2005, the Board of Directors of the Company has allotted One (1) Equity Share of face value of Rs.10/- each Fully Paid-up for every One (1) Equity Share of face value of Rs.10/- each Fully Paid-up held by the Shareholders of the Transferor Company, now known as GTN Industries Limited based on the Record Date fixed on 2.1.2006. The Company vide its Allotment Advice/Notice dated 9th March, 2006 requested the shareholders to surrender the old Share Certificate(s) of erstwhile GTN Textiles Limited to enable the Company to despatch the new Share Certificate(s) allotted to Shareholders consequent to demerger.
4. The Shares of the Company are listed and traded with Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and Cochin Stock Exchange Limited (CSEL) effective from 18.5.2006. The Company's shares have also been admitted with the Depositories viz. NSDL and CDSL under ISIN No.INE302H01017.
5. The Stock Exchanges viz. BSE, NSE and CSEL have given trading permission only for those shares for which the Company has despatched the new Share Certificate(s). Those Shareholders who have not surrendered old Share Certificate(s) are requested to surrender the same, immediately.
6. The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Saturday the 22nd July, 2006 to Friday the 28th July, 2006 (both days inclusive) for determining the names of Members eligible for Dividend, if approved, on equity shares. In respect of shares held in Electronic form, Dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL, for this purpose.
7. Subject to the provisions of Section 206A of the Companies Act, 1956, Dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or before 27th August, 2006, to those members whose names appear on the Company's Register of Members as on 28th July, 2006.

**NOTICE (Contd..)**

8. Members may please note that the dividend warrants are payable at par at the designated branches of the Bank printed on reverse of the dividend warrant for an initial period of 6 months only. Thereafter, the dividend warrant on revalidation is payable only at limited centres / branches. The members are, therefore, advised to encash dividend warrants within the initial validity period.
9. Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and / or amount payable in respect of the shares shall vest in the event of the death of the Shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination form. The facility of nomination is not available to non-individual Shareholders such as Bodies-Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trust and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s.Integrated Enterprises (India) Limited.

**REQUEST TO THE MEMBERS:**

- Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (Seven) days in advance, so as to enable the Company to keep the information ready.
- As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
- A Specimen Signature Form is attached alongwith the report. Members are requested to fill in and return after verification by the Bank. Further, Members are requested to inform immediately any change in the address to the Company's Share Transfer Agent.
- All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s.Integrated Enterprises (India) Ltd., "Seema", 41/426, Rajaji Road, Near Abad Metro Hotel, Ernakulam - 682 035, Kerala; Tel. No. (0484)2371494/2366099 Fax: (0484) 2384735; E-Mail:yesbalu@iepindia.com or shaji@iepindia.com.
- Members are requested to note that the Company's Equity shares are compulsorily traded in demat form for all investors, effective from 18th May, 2006. Members are requested to open Depository Account in their names with a Depository participant to dematerialise their holdings. This would be necessary for facilitating the transfers of Company's Equity shares in all Stock Exchanges connected to the Depository System.**

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT / REGULARISATION PURSUANT TO SECTION 257 OF THE ACT.**

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri.Umang Patodia	Shri.M K Patodia	Shri.B L Singhal	Shri.M L Patodia
Date of Birth	17.6.1969	25.8.1951	15.4.1947	20.9.1915
Date of appointment	28.3.2005	8.4.2005	8.4.2005	28.10.2005
Qualifications	B.Com	Fellow Member of Institute of Chartered Accountants of India (ICAI)	B.Com; Fellow Member of Institute of Chartered Accountants of India (ICAI)	Matriculation
Expertise in specific functional area	Shri. Umang Patodia has over 17 years of experience in Textile Industry, Yarn Marketing and Cotton Trading besides experience in Finance and Administration. He is the Managing Director of Patspin India Limited over the last 11 years	Shri.M K Patodia, aged 55 years, is a Fellow Member of the Institute of Chartered Accountants of India with over 32 years of experience in Textile Industry, Yarn Marketing and Cotton Trade. He is the Managing Director of GTN Industries Ltd. (formerly GTN Textiles Ltd.).	Shri.B L Singhal, aged 59 years, is a Graduate in Commerce and Fellow Member of the Institute of Chartered Accountants of India (ICAI). He is a Practicing Chartered Accountant and Senior Partner of M/s.B L Singhal & Co., Chartered Accountants, Kolkata. He has vast experience in finance, company law matters besides proficiency in accountancy.	Shri.M L Patodia, aged 90 years has over 65 years experience in Textile Trade. He is the Chairman of the Company.
Shareholding in the Company	835120 Equity Shares of face value of Rs.10/- each.	NIL	11080 Equity Shares of face value of Rs.10/- each.	362560 Equity Shares of face value of Rs.10/- each

**NOTICE** (Contd..)

Name of Director	<b>Shri. R Rajagopalan</b>	<b>Shri. P K Kurian</b>	<b>Shri. C D Thakker</b>	<b>Shri. Prem Malik</b>
Date of Birth	21.7.1938	20.3.1930	31.3.1938	3.2.1942
Date of appointment	28.10.2005	17.12.2005	17.12.2005	17.12.2005
Qualifications	Fellow Member of Institute of Chartered Accountants of India (ICAI) and Fellow Member of Institute of Company Secretaries of India (ICSI)	B.Sc. Barrister at Law (Lincoln's Inn)	S.S.C	Post Graduate from Punjab University
Expertise in specific functional area	<p>Shri.R Rajagopalan, aged 68 years, is a Fellow member of the Institute of Chartered Accountants of India (ICAI) and Fellow member of the Institute of Company Secretaries of India (ICSI). He had worked as Managing Director - Commercial &amp; Secretary with M/s.Widia (India) Ltd. Besides his proficiency in Finance, Accounts and Secretarial Functions, he was part of management team for finalisation of many collaboration tie-ups with Widia GmbH and also with other reputed European and American Companies.</p> <p>He was also associated with various Organisations and was the National President of the Institute of Company Secretaries of India (ICSI); President of Employers' Federation of Southern India (EFSI); Chairman of Taxation and Finance Sub-Committee of Confederation of Indian Industry (CII); Member of Southern Regional Council of CII; Member of Engineering Export Promotion Council (EEPC); Greater Mysore Chamber of Industry (GMCI), etc.</p>	<p>Shri.P K Kurian, aged 76 years, Barrister-at-law (Lincoln's Inn) is a Leading Lawyer in the High Court of Kerala, since 1954. He is specialised in constitutional, commercial, mercantile, labour law, taxation, company law matters, etc. He is Senior Advocate and Partner of M/s. Menon &amp; Pai, Advocates, Kerala.</p>	<p>Shri.C D Thakker, aged 68 years has over 4 decades experience in procurement and trading of raw cotton. He is employed in M/s.Purav Trading Limited in the capacity of 'President'.</p>	<p>Shri.Prem Malik, aged 63 years, is a Post Graduate from Punjab University and is having over 4 decades of experience in textiles and clothing. He had worked as Executive Director of main Board of M/s.Mafatlal Fine Spinning &amp; Manufacturing Company Limited and M/s.Bombay Dyeing &amp; Manufacturing Company Limited. Presently, he is a Textile Consultant / Advisor and is Director on various Forums viz. Confede-ration of Indian Textile Industry, Cotton Textile Export Promotion Coun-cil, Synthetic Rayon Textile Export Promotion Council, etc.</p>
Shareholding in the Company	NIL	NIL	11,468 Equity Shares of face value of Rs.10/- each.	NIL



**NOTICE** (Contd..)

Details of other Directorship:-

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri.Umang Patodia	1. Patspin India Limited 2. Patspin Apparels Pvt. Limited 3. Patodia Exports & Inv. Pvt. Ltd. 4. Beekaypee Credit Pvt. Ltd.	Mg. Director Director Director Director		
Shri.M K Patodia	1. GTN Industries Limited 2. GTN Exports Limited 3. Perfect Knitters Limited 4. Jubilant Engineering Limited 5. Megha Investments Pvt. Limited 6. Emkaypee Investments Pvt. Ltd. 7. Forward Finance Pvt. Limited 8. Modesty Finance & Inv. Pvt.Ltd. 9. Madanlal Brijlal Pvt. Limited 10. M.B.Credit Pvt. Limited 11. Patodia Engineering Pvt. Limited 12. Patodia Overseas Pvt. Limited 13. Patodia Home Furnishing P.Ltd.	Mg. Director Director Director Director Director Director Director Director Director Director Director Director Director		
Shri.B L Singhal	1. Patspin India Limited 2. GTN Industries Limited 3. Prime Textiles Limited 4. GTN Enterprises Limited 5. ATL Textile Processors Limited 6. M.B.Credit Pvt. Limited 7. M.D.Investments Pvt. Limited 8. Priti Credit Pvt. Limited 9. BLS Securities Pvt. Limited	Director Director Director Director Director Director Director Director Director	1) Audit 2) Shareholders 1) Audit 2) Shareholders 1) Audit 2) Shareholders	Chairman Chairman Chairman Member Chairman Member
Shri.M L Patodia	1. GTN Industries Limited 2. Prime Textiles Limited 3. Yarn Syndicate Limited 4. YS Exports Limited 5. GTN Exports Limited 6. Madanlal Brijlal Pvt. Limited 7. M.B.Credit Pvt. Limited 8. M.D.Investments Pvt. Limited	Chairman Chairman Mg. Director Director Director Director Director Director		
Shri. R Rajagopalan	1. Patspin India Limited 2. Karnavati Engineering Limited 3. MRO-TEK Limited 4. Saksoft Limited	Director Director Director Director	1) Audit  1) Audit 2) Shareholders 1) Audit 2) Shareholders	Member  Chairman Member Chairman Chairman

**NOTICE** (Contd..)

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri.P K Kurian	1. Aspinwall & Co. (Taravancore) Ltd.	Director	1) Audit 1) Audit 1) Shareholders 2) Audit	Member Chairman Member Member
	2. Dodla International Limited	Director		
	3. FCI OEN Connectors Limited	Director		
	4. Harrisons Malayalam Limited	Director		
	5. Oriental Hotels Limited	Director		
	6. Peirce Leslie India Limited	Director	1) Audit	Member
	7. Taj Kerala Hotels & Resorts Limited	Director		
	8. The Alleppey Company Limited	Director		
	9. Pullangode Rubber & Produce Co. Ltd.	Director		
	10. OEN India Limited	Director		
	11. William Goodacre & Sons Pvt. Limited	Director		
	12. Kerala Balers Pvt. Limited	Director		
Shri.C D Thakker	1. Prime Textiles Limited	Director		
	2. GTN Industries Limited	Director		
Shri.Prem Malik	1. Spentex Industries Limited	Director		
	2. Alder Trading Co. Pvt. Limited	Director		

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****ITEM Nos. 5 to 11**

The Board of Directors of the Company have appointed the following Directors as Additional Directors:-

Sl. No.	Name	Date of appointment
1.	Shri.M K Patodia	8.4.2005
2.	Shri.B L Singhal	8.4.2005
3.	Shri.M L Patodia	28.10.2005
4.	Shri.R Rajagopalan	28.10.2005
5.	Shri.P K Kurian	17.12.2005
6.	Shri.C D Thakker	17.12.2005
7.	Shri.Prem Malik	17.12.2005

In terms of Section 260 of the Companies Act, 1956, read with Clause No.110 of the Articles of Association, they hold the said Office only upto the date of the ensuing Annual General Meeting. A Notice has been received from a member and also Deposit of Rs.3,500/- (Rs. 500/- each) from him pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature

Shri. M K Patodia, Shri.B L Singhal, Shri.M L Patodia, Shri.R Rajagopalan, Shri.P K Kurian, Shri.C D Thakker and Shri.Prem Malik for the office of Director(s).

The Board recommends the passing of the ordinary resolution contained in Item No.5 to 11 of the accompanying notice.

None of the Directors other than Shri.M K Patodia, Shri.B L Singhal, Shri.M L Patodia, Shri.R Rajagopalan, Shri.P K Kurian, Shri.C D Thakker and Shri.Prem Malik are concerned or interested in this resolution.

**ITEM No.12**

Section 293(1)(e) of the Companies Act, 1956, inter alia, provides that approval of members of the Company is required for any amount contributed to any charitable or other funds not directly relating to the business of the Company or the welfare of the employees, the aggregate of which exceed Rs.50,000/- or five percent of the Company's average net profits as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956 during the 3 financial years immediately preceding the year in which the contribution has been made. The Board of Directors considers that keeping in view the Company's obligations to the society at large and other social welfare and charitable funds / causes, the limit provided under section 293(1)(e) of the Companies Act, 1956, requires upward revision.

This resolution is, therefore, recommended for your acceptance.

None of the Directors of the Company is concerned or interested in this resolution.

By Order of the Board  
For **GTN TEXTILES LIMITED**

Place : Kochi  
Date : 18th May, 2006

**E K BALAKRISHNAN**  
General Manager & Company Secretary



## DIRECTORS' REPORT

### To the Members,

Your Directors have pleasure in presenting the **FIRST** Annual Report together with the Audited Statements of Account for the period ended 31st March 2006.

### SCHEME OF ARRANGEMENT AND INCORPORATION

As you are aware, based on the approval given by the shareholders at their meeting held on 26th August 2005, and subsequent approval by the Hon'ble High Court of Kerala on 9th December, 2005 to the Scheme of arrangement involving Demerger of the Transferor Company (erstwhile GTN Textiles Limited), the business comprising Spinning Unit at Aluva, Offices at Mumbai, Kolkata and Coimbatore and investments of 39.07 per cent of the Paid up Equity Share Capital of Patspin India Limited held by the Transferor Company (erstwhile M/s. GTN Textiles Limited, now known as GTN Industries Limited) were demerged and transferred to your Company. The Appointed Date of the Scheme was 1st April, 2005 and effective date was 19th December, 2005. In terms of the Scheme the names of the Transferor and Transferee Companies were interchanged and your Company was named GTN Textiles Limited. Consequent to change of name, a fresh certificate of incorporation dated 27th December, 2005 was issued by Registrar of Companies, Kerala to this effect.

You may also be aware that erstwhile GTN Textiles Limited was originally incorporated on 2nd August, 1962 in Kerala and started manufacture of cotton yarn at Aluva. The company then expanded its spinning activity by setting up units at Medak- Andhra Pradesh in 1983, at Nagpur- Maharashtra in 1994 and also set up yarn dyeing and mercerizing unit at Shadhnagar- Andhra Pradesh. The company has promoted Patspin India Limited in 1993-94, which has 100% combed cotton yarn EOU Spinning Unit as a joint venture along with equity participation of Itochu Corporation, Japan and KSIDC Thiruvananthapuram. The company invested 39.07 per cent of the paid up equity of Patspin India Limited, a listed company, which has a capacity of 48,672 spindles, inclusive of 21,168 compact spindles.

Thus, the renamed GTN Textiles Limited, which has been incorporated as a Public Limited Company on 28th March, 2005 now has a spinning unit at Aluva at a capacity of 46,720 spindles along with various other assets as per the approved Scheme of arrangement. The company had an investment of 39.07 per cent of the paid-up equity share capital of Patspin India Limited and recently consolidated its holding by increasing the shareholding to 46.21 per cent during March, 2006.

### ISSUE OF SHARES AND LISTING

Pursuant to the Scheme, the Board of Directors of your Company have allotted 1 (One) Equity Share of the face value of Rs.10/- each fully Paid-up to each member of the Transferor Company for every 1 (One) Equity Share of the face value of Rs.10/- each fully Paid-up held by them in the Transferor Company, based on the Record Date fixed on 2.1.2006.

Your Company has been granted relaxation under Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957 vide their letter Ref.No.CFD/DIL/EB/65027/2006 dated April 18, 2006. Accordingly, the Bombay Stock Exchange Limited (BSE), the Cochin Stock Exchange Limited (CSEL) and the National Stock Exchange of India Limited (NSE) have conveyed their in-principle approval for listing of 1,16,40,478 Equity Shares of face value of Rs.10/- each vide Letter Ref.Nos.DCS/SJK/RCG/SS/2006/9353 dated 21st April, 2006; SE/LIST/79/2006 dated 22nd April, 2006 and NSE/LIST/21768-8 dated 27th April, 2006.

Your Company has complied the conditions for listing and accordingly the said Stock Exchanges have permitted trading of Company's shares effective from 18th May, 2006.

### EXCHANGE / SWAP OF SHARES

Pursuant to the Memorandum of Family Arrangement dated 5.5.2005 under the Scheme of Arrangement approved by the Hon'ble High Court of Kerala on 9.12.2005, Shri.M K Patodia and his Family / Representative / Nominees have exchanged / swapped their shares of your Company in favour of Shri.B K Patodia and his Family / Representative / Nominees. Your Board of Directors have approved the same at their meeting held on 2.5.2006.

### FINANCIAL RESULTS

(Rs. in lacs)

	Period from 28.3.2005 to 31.3.2006	year ended 31.3.2005*
<b>INCOME</b>		
Net sales/Income from operations	10495	9938
Other Income	77	136
Variation in stock	162	(405)
Total	<u>10734</u>	<u>9669</u>
<b>EXPENDITURE</b>		
a) Cost of materials	5736	5116
b) Staff cost	1251	1099
c) Power & Fuel	1211	1116
d) Other expenditure	1347	1412
Total	<u>9545</u>	<u>8743</u>
<b>OPERATING PROFIT</b>	1189	926
Interest	350	278
Profit before depreciation and taxation	839	648
Depreciation	591	582
<b>PROFIT BEFORE TAX</b>	248	66
Provision for Current Tax	14	
Provision for Deferred Tax	95	
Provision for Fringe Benefit Tax	16	
<b>PROFIT AFTER TAX</b>	123	
Surplus brought forward as per Scheme of Arrangement	227	
Profit available for appropriation	<u>350</u>	
<b>APPROPRIATIONS</b>		
<b>Dividend on:</b>		
Proposed Equity	105	
Corporate Dividend Tax	15	
Surplus carried to Balance Sheet	<u>230</u>	
	<u>350</u>	

\* Consequent to the approval of the Scheme of Arrangement by the High Court of Kerala, the financial results for the year ended 31.3.2005 are in respect of the demerged business, as certified by the Statutory Auditors of the Company.

**DIRECTORS' REPORT** (Contd..)**DIVIDEND**

Your Directors are pleased to recommend a Dividend @9% on the Paid-up Equity Share Capital of the Company in respect of the financial year 2005-06. The total outgo on account of dividend, inclusive of dividend tax @14.025% is at Rs.120 lacs.

**PERFORMANCE REVIEW**

On a comparison with the audited results for the year 2004-05 relating to the business demerged to your company, the sales have gone up to Rs.10495 lacs from Rs.9938 lacs and the operating profit to Rs.1189 lacs from Rs.926 lacs. The profit before tax is Rs.248 lacs as against Rs.66 lacs for the previous year.

Your company had undertaken modernization and upgradation at Aluva plant under Technology Upgradation Scheme at a cost of Rs.21.74 crores, out of which it has already incurred Rs.17.65 crores upto the end of financial year. The Scheme includes replacement of Cone winding machines, Humidification system, Carding Machines and Combers as well as conversion of 6048 spindles of ring spinning into compact spinning, besides upgradation of existing grid supply from HT to EHT. With this, the Company will have 15696 compact spindles. The implementation of project is almost over and the scheme is expected to be completed by March 2007. The modernization has resulted in increase in efficiency as well as production flexibility, due to which company has been able to improve its performance during the year 2005-06, besides the fact that cost of cotton consumed has been lower.

During the current year, the company is expected to sustain its performance taking into account the raw cotton situation and completion of the modernization Scheme on hand.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:-

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of the Company for that period;
- (c) they have taken proper and sufficient care, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis.

**CORPORATE GOVERNANCE**

Your Directors affirm their commitments to the Corporate Governance standards prescribed by the Securities and Exchange Board of India (SEBI). A Report on Corporate Governance with Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

**FIXED DEPOSITS**

The Company had no Unclaimed Deposits outstanding as at the close of the financial year.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956, and the Companies Articles of Association Shri.Umang Patodia, Director, retires from Office by rotation and is eligible for re-appointment.

Shri. M L Patodia, Shri. M K Patodia, Shri. P K Kurian, Shri. C D Thakker, Shri.B L Singhal, Shri. R Rajagopalan and Shri. Prem Malik have been inducted as Additional Directors during the year under review. Your Board of Directors recommend their appointment under Section 257 of the Companies Act, 1956.

Shri. P C Seksaria has resigned from the Board on 17.12.2005 to take over as Chief Executive of your Company.

**AUDITORS**

M/s.M S Jagannathan & Visvanathan, Chartered Accountants, Coimbatore, has been appointed as the First Auditors of the Company by the Board at their meeting held on 28.3.2005. They will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

**PERSONNEL & INDUSTRIAL RELATIONS**

Industrial Relations were cordial and satisfactory. A statement showing the particulars of Employees referred to in sub section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is given in Annexure I, forming Part of this Report.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in Annexure II, attached hereto and forms part of this report.

**ACKNOWLEDGEMENT**

Your Directors place on record their gratitude to Industrial Development Bank of India Limited, Export-Import Bank of India, Central Bank of India, State Bank of India and State Bank of Travancore and the concerned Departments of the State and Central Government, Employees and Shareholders for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kolkata,  
Date : 18th May, 2006

**M L PATODIA**  
Chairman