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GTN TEXTILES LIMITED

NOTICE

NOTICE is hereby given that the **Second Annual General Meeting of GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva – 683 101 at 12 noon on Thursday, the 26th day of July 2007, to transact the following business.

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the year 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.B L Singhal, who retires by rotation, and being eligible, offers himself for re-appointment
- 4) To appoint a Director in place of Shri.M L Patodia, who retires by rotation, and being eligible, offers himself for re-appointment.
- 5) 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:

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

RESOLVED that in supersession of the resolution passed at the earlier General Body Meeting of the Company, and pursuant to sub-section (1)(d) of Section 293 of the Companies Act, 1956 and Article 70 of the Articles of Association of the company and other enabling provisions (if any), the consent of the company be and is hereby granted and accorded to the Board of Directors to their borrowing of monies for and on behalf of the company in any manner from time to time and without prejudice to the generality thereof by way of loans, advances, credits, acceptance of deposits, banking and financial facilities, bonds, or otherwise from any bank or banks or any financial institution(s) or other person or persons situated in India or abroad and whether the same be unsecured or secured and if secured whether by way of mortgage, charge, hypothecation, pledge, or otherwise in any way whatsoever on, over or in respect of all or any of the Company's assets, effects and properties including uncalled capital, stock-in-trade (including raw materials, stores, parts and components in stock or in transit) not withstanding that the monies borrowed by the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, the reserves not set apart

for any specific purpose provided that the total amount which may be so borrowed by the Board of directors and outstanding at any time shall not exceed Rs.200 crores (Rupees two hundred crores only).

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

"RESOLVED that the consent of the company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956 and other applicable provisions if any, to mortgage and/or charge by the Board/Committee of the Board of Directors of the company of all the immovable properties and movable fixed assets of the company, excluding assets on which exclusive charge was given and hypothecation of all movable properties of the company subject to prior charges in favour of bankers for working capital, where so ever situate, present and future and of conferring power to enter upon and to take possession of the assets of the company in certain events, to or in favour of Bank of India, UTI Bank Limited, Central Bank of India, State Bank of India and State Bank of Travancore, to secure on pari passu first charge basis:

- i) Rupee Term Loan of Rs.12 crores under Technology Upgradation Fund Scheme – Phase IV, lent and advanced by Bank of India (BOI) to the Company;
- ii) Rupee Term Loan of Rs.20.66 crores under Technology Upgradation Fund Scheme – Phase IV, lent and advanced by UTI Bank Limited (UTI Bank) to the Company;
- iii) Rupee Term Loan of Rs.4.00 crores (bifurcated outstanding amount in view of the Demerger) under Technology Upgradation Fund Scheme – Phase III, lent and advanced by Central Bank of India (CBI) to the Company;
- iv) Rupee Term Loan of Rs.9.04 crores (bifurcated outstanding amount in view of the Demerger) under Technology Upgradation Fund Scheme – Phase III, lent and advanced by State Bank of India (SBI) to the Company;
- v) Rupee Term Loan of Rs.5.50 crores (bifurcated outstanding amount in view of the Demerger) under Technology Upgradation Fund Scheme – Phase III, lent and advanced by State Bank of Travancore (SBT) to the Company;

By Order of the Board

For **GTN TEXTILES LIMITED**

E K BALAKRISHNAN
General Manager &
Company Secretary

Place : Kochi
Date : 8th May, 2007

NOTICE (Contd.)

NOTES:-

- 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.**
- 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.
- 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 admitted with the Depositories viz. NSDL and CDSL under ISIN No.INE302H01017.
- The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Saturday, the 14th July, 2007 to Thursday, the 26th July, 2007 (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.
- 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 25th August, 2007 to those members whose names appear on the Company's Register of Members as on 26th July, 2007.
- 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.
- Information in respect of Unclaimed Dividend when due for transfer to the said Fund with reference to dividend for the financial year ended 31st March, 2006 is given below:

Financial year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31.3.2006	28.7.2006	27.7.2013	26.8.2013

Shareholders who have not so far encashed the Dividend Warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company. Also note that no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid after a period of 7 (Seven) years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

- 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.
- Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
- 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 Tel. 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.**

NOTICE (Contd..)**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.B L Singhal	Shri.M L Patodia
Date of Birth	15.4.1947	20.9.1915
Date of appointment	8.4.2005	28.10.2005.
Qualifications	B.Com; Fellow Member of Institute of Chartered Accountants of India (ICAI);	Matriculation
Expertise in specific functional area	Shri.B L Singhal, aged 60 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 91 years has over 65 years experience in Textile Trade. He is the Chairman of the Company.
Shareholding in the Company	12,990 Equity Shares of Rs.10/- each per share	3,62,560 Equity Shares of Rs.10/- each per share.

Details of other Directorship:-

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri.B L Singhal	1. Patspin India Limited	Director	1) Audit	Chairman
			2) Shareholders	Chairman
	2. GTN Enterprises Limited	Director		
	3. GTN Industries Limited	Director	1) Audit	Chairman
			2) Shareholders	Member
	4. Prime Textiles Limited	Director	1) Audit	Chairman
			2) Shareholders	Member
	5. ATL Textile Processors Limited	Director		
	6. M.B.Credit Pvt. Limited	Director		
Shri.M L Patodia	7. M.D.Investments Pvt. Limited	Director		
	8. Priti Credit Pvt. Limited	Director		
	9. BLS Securities Pvt. Limited	Director		
	1. GTN Industries Limited	Chairman		
	2. Prime Textiles Limited	Chairman		
	3. Yam Syndicate Limited	Mg. Director		
	4. YS Exports Limited	Director		
	5. GTN Exports Limited	Director		
	6. Madanlal Brijlal Pvt. Limited	Director		
	7. M.B.Credit Pvt. Limited	Director		
	8. M.D.Investments Pvt. Limited	Director		

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

Place : Kochi
Date : 8th May, 2007

E K BALAKRISHNAN
General Manager & Company Secretary

NOTICE (Contd..)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.6

In view of the Company's increased activities, it is considered desirable to fix the limit upto Rs.200 crores so that the Company can borrow funds from the Banks, Body Corporate, Institutions, etc., whenever the need arises.

Section 293(1)(d) of the Companies Act, 1956, provides, interalia, that the Board of Directors of a Public Company shall not, without the consent of the Shareholders in General Meeting, exercise borrowing beyond the Paid-up Capital and free reserves of the Company.

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

Your Directors recommend this resolution, for approval.

Item No.7

The Company has been sanctioned financial assistance from Bank of India (BOI) and UTI Bank Limited (UTI Bank) for its expansion and modernisation plans under Technology Upgradation Fund Scheme (TUFS Phase IV). The said financial assistance has to be secured by a first charge / mortgage / hypothecation on such of the company's immovable and movable fixed assets as may be agreed to by the Company and the term lenders.

The Company has also signed separate documents with Central Bank of India (CBI), State Bank of India (SBI) and State Bank of Travancore (SBT) for their bifurcated outstanding loans of Rs.4.00 crores; Rs.9.04 crores and Rs.5.50 crores, respectively in view of the Demerger pursuant to a Scheme of Arrangement earlier approved by the Hon'ble High Court of Kerala. These financial assistances are also required to be secured by first charge on pari passu basis with the immovable properties of the Company.

Section 293(1)(a) of the Companies Act, 1956, provides, interalia, that the Board of Directors of a public company shall not except with the consent of the Shareholders in General Meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the Undertaking of the Company or where the company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

Since the company proposes to mortgage its immovable properties and movable fixed assets in favour of the term loan as well as the working capital lenders, it may be regarded as disposal of the company's properties / undertakings. Hence, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copies of the Letters of Sanction No.MGR:MS:223 dated 6th March, 2007 and UTIB/CHN/RMD/KSR/154/2006-07 dated 30th March, 2007; from Bank of India (BOI) and UTI Bank Limited (UTI Bank); respectively, is open for inspection at the Registered Office of the Company between 11.a.m and 2.00 p.m on any working day, prior to the date of the meeting.

None of the directors are interested or concerned in this resolution.

Your Directors recommend this resolution for approval.

By Order of the Board

For **GTN TEXTILES LIMITED**

Place : Kochi

Date : 8th May, 2007

E K BALAKRISHNAN

General Manager & Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the **SECOND** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2007

FINANCIAL RESULTS

(Rs. in lacs)

	Year ended 31.3.2007	Period from 28.3.2005 to 31.3.2006
INCOME		
Net sales / Income from operations	11540	10495
Other income	117	77
Variation in stock	(17)	162
Total	<u>11640</u>	<u>10734</u>
EXPENDITURE		
a) Cost of materials	6303	5736
b) Staff Cost	1257	1251
c) Power Cost	1273	1211
d) Other expenditure	1450	1347
Total	<u>10283</u>	<u>9545</u>
OPERATING PROFIT	1357	1189
Interest	436	350
Profit before depreciation and taxation	921	839
Depreciation	590	591
PROFIT BEFORE TAX	331	248
Provision for Current Tax	17	14
Provision for Deferred Tax	58	95
Provision for Fringe Benefit Tax	11	16
PROFIT AFTER TAX	245	123
Balance brought forward from previous year	230	227
Profit available for appropriations	<u>475</u>	<u>350</u>
APPROPRIATIONS		
DIVIDEND ON:		
Proposed Equity	105	105
Corporate Dividend Tax	18	15
Surplus carried to Balance Sheet	<u>352</u>	<u>230</u>
	<u>475</u>	<u>350</u>

DIVIDEND

Your Directors propose to maintain Dividend @9% on the Paid-up Equity Share Capital of the Company in respect of the financial year 2006-07. The total outgo on account of dividend, inclusive of dividend tax @16.995% is at Rs.123 lacs.

PERFORMANCE REVIEW

During the financial year under review, sales have gone up from Rs.105 crores to Rs.115 crores compared to the previous year. The higher sales have been achieved due to higher productivity as well as increased volume of merchant exports. The operating profit improved from Rs.11.89 crores to Rs.13.57 crores. The improved performance has been achieved on account of higher profitability consequent to implementation of modernisation schemes as well as higher sales realization in Dollar terms and favourable exchange rates. The Profit Before Tax was at Rs.3.31 crores as against Rs.2.48 crores, even after providing a higher interest of Rs.4.36 crores (Previous year Rs.3.50 crores).

As mentioned in our previous Report, the Technology Upgradation Fund Scheme – Phase III Project undertaken at an outlay of Rs.21.74 crores is almost completed but for the conversion of EHT line from 11 KV to 110 KV, which is expected to be completed by 30th September, 2007. The Company has incurred an amount of Rs.20.25 crores as on 31st March, 2007.

To achieve better scale of economics and flexibility in product mix commensurate with the developing market conditions, to ensure sustained profitability in the face of ever increasing costs, your Company has drawn up modernisation cum expansion plans at Aluva Unit under Technology Upgradation Fund Scheme Phase IV, with an outlay of Rs.39.59 crores, which envisages enhancement of spinning capacity by 11,136 spindles. With this, the installed capacity of Aluva Unit will go upto 58,864 spindles (including 26,496 compact spindles).

The company's production is predominantly exported and as such its profitability, to some extent, depends on movement in exchange rates of various currencies. Towards the end of the last financial year, Indian Rupee made substantial gains against US Dollar and reached a nine year high during April 2007. This sudden exchange rate movement was unprecedented in the last 3 decades or so. In spite of company's foreign exchange hedging policy, such a sharp strengthening of Rupee against Dollar is likely to affect company's future sales realizations and profitability for the time being, as is the case across various industries. On the other hand, since the company imports substantial requirement of its cotton, Rupee's strengthening will help to reduce its raw material cost as well, thus partially relieving pressure on margins.

The company is taking all possible steps to mitigate the adverse effect of currency appreciation and will also endeavor to complete the expansion-cum-modernisation envisaged under various schemes, so that the benefit starts accruing in the current year itself.

DIRECTORS' REPORT (Contd..)

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 judgments 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.Shri.B L Singhal and Shri M L Patodia, Directors, retire from Office by rotation and are eligible for re-appointment.

AUDITORS

M/s.M S Jagannathan & Visvanathan, Chartered Accountants, Coimbatore, Auditors of the Company 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 IDBI Bank Limited, Export-Import Bank of India, Central Bank of India, State Bank of India, State Bank of Travancore, Bank of India and UTI Bank Limited, 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 : 8th May, 2007

M L PATODIA
Chairman

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars of Employee as required under Sub-section (2A) of the Companies Act, 1956 and the Rules made there under forming part of the Directors' Report:

Sl. No	Name	Age (yrs.)	Designation	Nature of Duties	Remuneration (Rs.in lacs)	Qualification	Experience held	Date of job commencement	Last employment held
A Employees who worked throughout the accounting year and whose remuneration aggregating Rs. 24,00,000 or more per year									
	Shri.B K Patodia	62	Vice Chairman & Managing Director	Management of the affairs of the Company	48.97	B.E.	42 years	19.12.2005	erstwhile GTN Textiles Limited now known as GTN Industries Limited

B Employees who worked during part of accounting year and whose remuneration aggregating Rs. 2,00,000 or more per month.

— None —

Notes:

1. Nature of Employment : Contractual
2. The remuneration includes salary, Company's Contribution to Provident Fund and Superannuation funds, Gratuity fund, Medical Expenses and Leave Travel Assistance and other perquisites evaluated as per Income Tax Rules wherever necessary.
3. Shri.B K Patodia is related to Shri.M L Patodia, Chairman and Shri.Umang Patodia, Director of the company.

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For and on behalf of the Board

Place : Kolkata,
Date : 8th May, 2007

M L PATODIA
Chairman

ANNEXURE II TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

A. Energy Conservation

The Company is making all round efforts for the conservation of energy. To reduce the energy cost, energy efficient equipments were used and the effect of the same has been felt.

Total energy consumption and energy consumption per unit of production as prescribed in Form-A:

	Year ended 31.3.2007	Period from 28.3.2005 to 31.3.2006
I. Power Consumption		
1 Electricity		
a) Purchased (Units in lacs)	295.45	293.37
Total amount (Rs. in lacs)	1059.38	1045.33
Rate per unit (Rs.)	3.59	3.56
b) Own generation through Diesel		
Generator (units in lacs)	22.37	20.55
Total amount (Rs. in lacs)	213.79	166.34
Units per liter of diesel oil	3.64	3.71
Cost per unit (Rs.)	9.56	8.09
2 Coal	Nil	Nil
3 Furnace Oil (low sulphur high stock oil)	Nil	Nil
4 Other internal generation	Nil	Nil
II. Consumption per unit of production		
a) Electricity – Units per Kg. Yarn	12.04	12.50
b) Furnace Oil (low sulphur high stock oil) ltrs per Kg/unit.	—	—

B. Technology Absorption

Efforts made in Technology Absorption as per Form B:

Indigenous technology alone is used and Research and Development are carried out by a separate Textile Research Association for Textile Units situated in Southern Region (SITRA).

C. Foreign Exchange Earnings & Outgo

- a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans

The company is presently exporting yarn and knitted fabric. Steps are being taken to explore new markets and product development.

- b) Total Foreign Exchange earned and used excluding capital goods, components & Spares:

Earned: Rs.9412.87 lacs (Previous period Rs.8713.30 lacs) (including shipping freight realisation and agents commission)
Used: Rs.4319.53 lacs (Previous period Rs.2629.17 lacs)

For and on behalf of the Board

Place: Kolkata,
Date : 8th May, 2007

M L PATODIA
Chairman