NINETEENTH

ANNUAL REPORT

2009-10

PATSPIN

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Board of Directors

B K Patodia	Chairman
N K Bafna	
B L Singhal	
R Rajagopalan	
Rajen K Mariwala	
Y Ikezoe	Nominee of ITOCHU Corporation
T Okui	Alternate to Y Ikezoe (upto 12th April, 2010)
Keisuke Oba	Alternate to Y Ikezoe (w.e.f 13th May, 2010)
T Pius Joseph	Nominee of KSIDC
P C Seksaria	Director (upto 26.03.2010)
Umang Patodia	Managing Director

Deputy Company Secretary Abhilash N A

Bankers & Financial Institutions
Central Bank of India
State Bank of India
Export-Import Bank of India
IDBI Bank Limited
State Bank of Travancore
The Karur Vysya Bank Limited
Oriental Bank of Commerce
Canara Bank
Bank of Maharashtra

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

Legal Advisors M/s. Menon & Pai, Kochi

Registered Office 3rd Floor, Palal Towers, Ravipuram M G Road, Ernakulam, Kochi 682 016, India.

Corporate Office 43, Mittal Chambers, 228 Nariman Point, Mumbai 400 021, India.

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PATSPIN INDIA LIMITED

NOTICE

NOTICE is hereby given that the **NINETEENTH** Annual General Meeting of **PATSPIN INDIA LIMITED** will be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi – 682 016 at 10.30 a.m on Saturday, the 31st day of July 2010 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 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 appoint a Director in place of Shri.B.K Patodia, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri.Y .Ikezoe, 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 Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By order of the Board
for **PATSPIN INDIA LIMITED**

Place : Kochi
Date : 13th May 2010

ABHILASH N. A
Deputy Company Secretary

NOTES:-

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL 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. The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Saturday, the 24th July, 2010 to Saturday, the 31st July, 2010 (both days inclusive).
3. Pursuant to Section 205A of the Companies Act, 1956, all Unclaimed Dividend upto Financial Year Ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet claimed their Dividend Warrants for the said period, are requested to claim the amount from the Registrar of Companies-Kerala, Ernakulam by submitting an application in the prescribed form.
4. Pursuant to Section 205A(5) of the Companies Act, 1956, as amended with effect from 31st October, 1998, dividends for the Financial Year ended 31st March, 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same under sub-section (1) of said Section will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government established under Section 205C of the Act. In compliance of the said provisions of the act , all unclaimed dividends for the Financial Year upto 31st March 2002 have been transferred by the Company to the IEPF.

   Information in respect of such Unclaimed Dividend when due for transfer to the said Fund with reference to dividend for the financial year ended 31st March, 2003 and thereafter, is given below:

Financial year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31.3.2003	31.7.2003	30.7.2010	28.8.2010
31.3.2004	30.7.2004	29.7.2011	27.8.2011
31.3.2005	29.7.2005	28.7.2012	27.8.2012
31.3.2006	28.7.2006	27.7.2013	26.8.2013
31.3.2007	26.7.2007	25.7.2014	24.8.2014

   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.
5. 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.

NOTICE (contd.)

REQUEST TO THE MEMBERS:

1. 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.
2. 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.
3. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
4. 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.
5. Members are requested to note that the Company's Equity shares are compulsorily traded in demat form for all investors, effective from 29th January, 2001. 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 COMPANIES ACT, 1956
(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	**Shri. B.K. Patodia**	**Shri. Y. Ikezoe**
Date of Birth	01.01.1945	19.06.1959
Date of appointment	20.09.1991	28.10.2006
Qualifications	B.E.	Textile Engineer
Expertise in specific functional area	Over 38 years of experience in Textile Industry, yarn marketing and cotton trade. He was the Chairman of the Indian Cotton Mills Federation(ICMF) and Southern India Mills Association (SIMA). He is also an Executive Member of the Cotton Textile Export Promotion Council, Mumbai. Currently, he is the Chairman & Managing Director of GTN Textiles Limited, the flagship company of the GTN Group.	Over 25 years of experience in Textile Industry, Yarn Marketing and he is the Managing Director of M/s ITOCHU Textiles Materials (Asia) Limited, Hongkong. Financial Collaborator and promoter of the Company along with GTN Textiles Limited and Kerala State Industrial Development Corporation Limited
Shareholding in the Company	34350 equity shares of Rs 10 each.	Nil

Details of other Directorship:-

Name of Director	**Name of the Company**	**Position held**	**Committee type**	**Membership status**
Shri. B.K Patodia	GTN Textiles Limited	CMD	None	None
	GTN Enterprises Limited	Chairman	None	None
	Hindustan Polyamides & Fibres Limited	Director	None	None
	India Thermit Corporation Limited	Director	None	None
	Hind Rectifiers Limited	Director	None	None
Shri. Y.Ikezoe	ITOCHU Textile Prominent(Asia), Limited, Hongkong (formerly known as ITOCHU Textile Materials (Asia) Limited)	Mg.Director	None	None

By order of the Board
For **PATSPIN INDIA LIMITED**

Place : Kochi
Date : 13th May 2010

ABHILASH N. A
Deputy Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors present the **NINETEENTH** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs. in lacs)

	Year ended	
	31.3.2010	31.3.2009
INCOME		
Net sales / Income from operations	30254	21220
Other Operating Income (Insurance Claim)	100	—
Variation in Stock	(1082)	1060
Total	29272	22280
EXPENDITURE		
a) Cost of materials	19105	15233
b) Staff Cost	1388	1384
c) Power Cost	2502	2224
d) Other expenditure	2827	2915
Total	25822	21756
OPERATING PROFIT	3450	524
Interest	2061	2270
Profit before depreciation and taxation	1389	(1746)
Depreciation	2000	1872
PROFIT BEFORE TAX	(611)	(3618)
Provision for current tax	—	—
Provision for deferred tax (write back)	205	(1031)
Provision for Fringe benefit tax	—	16
PROFIT AFTER TAX	(406)	(2603)
Surplus Brought forward from previous year	(2097)	—
Transferred from General Reserve	—	506
Profit / (Loss)balance carried forward to Balance Sheet	(2503)	(2097)

DIVIDEND

As explained in detail under Performance Review, your company has incurred loss for the year under review, and hence the Board is unable to recommend a Dividend.

PERFORMANCE REVIEW

The first half of the year under review continued to be adversely affected by the global economic downturn following financial turmoil which had emanated from the developed countries. However, the second half witnessed revival in consumer demand for textile products in domestic as well as export markets. This helped your company to steadily increase its capacity utilization, leading to improvement in financial performance as well. Easing of power situation in Tamil Nadu as well as Kerala also enabled the company to increase production, though by paying higher charges. It is pertinent to mention here that during the previous year, your company's operations were badly affected due to severe power shortage as well, as mentioned in the Directors' Report.

With higher plant capacity already in place post substantial expansion cum modernization plans implemented under Technology Upgradation Fund Scheme, your company's turnover spurted to Rs.302.54 crores from Rs.212.20 crores in the previous year. There has been substantial improvement in operating profit at Rs.34.50 crores as against Rs.5.24 crores during previous year. However, as working of the first half of the year was adversely affected as mentioned earlier, the year under review registered a substantially lower net loss of Rs.6.11 crores as against Rs.36.18 crores of the previous year, after providing Rs.20 crores of depreciation for the year.

In the current financial year 2010-11, besides recovery in global economic environment, domestic demand for textile products has been very strong giving the much needed positive thrust to the textile industry.

From 1st April 2010, Tamil Nadu & Kerala State Electricity Boards have put certain restrictions on power consumption and also levied fuel surcharge, which has led to increase in power cost. Besides, the government has done away with certain incentives available to Textile Industry i.e. 7.67% DEPB, 4% Duty Draw Back and 2% interest subvention. Inspite of above, due to improved market conditions and higher sales realization, your company is hopeful of showing better performance in the year 2010-11 as well.

ISSUE OF NON CUMULATIVE REDEEMABLE PREFERENCE SHARES

The Shareholders at the previous Annual General Meeting had unanimously approved issue of Redeemable Preference Shares of Rs.100/- each aggregating Rs.700 Lakhs, in one or more tranches to the promoters and its associates pursuant to the Debt Realignment proposal approved by the Banks and Financial Institution with the Company.

Your Directors are glad to report that the Share Issue Committee of the Board of Directors had allotted 3.50 Lakhs 5% Non Cumulative Redeemable Preference Shares aggregating Rs.350 Lakhs under series 1 on 31.07.2009

and 1.00 lakh 5% Non Cumulative Redeemable Preference Shares aggregating Rs.100 lakhs under series II on 8.2.2010. These shares shall carry a dividend @5% per annum on non cumulative, in nature, and shall redeem at the end of 12th year from the date of allotment, or earlier but not earlier than 30.07.2014 and 7.2.2015 respectively at the option of the Board/Committee of the Board of Directors of the company.

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 REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis Statement.

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 Company's Articles of Association, Shri. B K Patodia and Shri Y. Ikezoe, Directors, retire from Office by rotation and are eligible for re-appointment.

Shri P.C Seksaria had resigned from the Board with effect from 26.03.2010. The Board places on record its profound appreciation for his valuable contribution during his tenure as a Director.

Shri T. Okui, Alternate Director to Shri Y. Ikezoe had resigned from the Board effective from 12.04.2010 and Shri K. Oba was nominated in his place with effect from 13.05.2010. The Board places on record its profound appreciation to Shri T. Okui for his valuable contribution during his tenure as a Director.

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 Central Bank of India, State Bank of India, State Bank of Travancore, The Karur Vysya Bank Limited, IDBI Bank Limited, Export-Import Bank of India, Oriental Bank of Commerce, Bank of Maharashtra and Canara Bank and the concerned Departments of the State and Central Government, valuable Customers, Employees and Shareholders for their assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kochi,
Date : 13th May, 2010

B K PATODIA
Chairman

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars of Employees 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.lacs)	Qualification	Experience held	Date of job commencement	Last employment
A	Employees who worked throughout the accounting year and whose remuneration aggregating Rs. 24,00,000/- or more per year								
	Shri. Umang Patodia	40	Managing Director	Management of the affairs of the Company	53.28	Bachelor of Commerce	19 years	4.8.1994	GTN Textiles 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.
3. Shri.Umang Patodia is related to Shri. B K Patodia, Chairman of the company.

For and on behalf of the Board

Place : Kochi,
Date : 13th May, 2010

B K 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. Conservation of Energy

a) energy conservation measures taken.

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.

b) additional investments and proposals, if any, being implemented for reduction of consumption of energy

c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

d) Total energy consumption and energy consumption per unit of production as prescribed in Form–A given below

		Year ended 31.3.2010	Year ended 31.3.2009
I.	**Power and fuel consumption**		
	1 Electricity		
	a) Purchased (Units in lacs) [Windmill units consumed 135.91 (previous year 122.39)]	678.52	585.50
	Total amount (Rs. in lacs)	3002.14	2,581.37
	Rate per unit (Rs.)	4.42	4.41
	b) Own generation		
	i) Through Diesel Generator (units in lacs)	2.32	10.75
	Total amount (Rs. in lacs)	18.97	92.68
	Units per liter of diesel oil	6.38	3.55
	Cost per unit (Rs.)	8.18	8.62
	ii) Through steam turbine/ generator		
	Units	Nil	Nil
	Unit per liter of fuel oil / gas	Nil	Nil
	Cost per unit (Rs.)	Nil	Nil
	2 Coal	Nil	Nil
	3 Furnace Oil	Nil	Nil
	4 Others/internal generation	Nil	Nil
II.	**Consumption per unit of production**		
	a) Electricity – Units per Kg. Yarn	4.89	6.61
	b) Furnace Oil	Nil	Nil
	c) Coal	Nil	Nil
	d) Others	Nil	Nil

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.14142.73 lacs (Previous year Rs.15936.61 lacs) (including shipping freight realisation and agents commission) Used: Rs.8313.31 lacs (Previous year Rs.2048.67 lacs)

For and on behalf of the Board

Place : Kochi,
Date : 13th May, 2010

B K PATODIA
Chairman

REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy on Code of Corporate Governance

The Company firmly believes in and has consistently endeavored to practice good Corporate Governance. The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability, in all facets of its operations, and in all its interactions with its stake holders, including shareholders, employees, the government and lenders.

2) Board of Directors

The Board is headed by a Non-Executive Chairman, Shri B K Patodia and comprises eminent persons with considerable professional experience in diverse fields. Over 87% of the Board consists of Non – Executive Directors.

As on 31st March, 2010, the Board comprised of four Independent Directors constituting 50% of the total Board strength.

Composition and category of Directors is as follows:

Category	Name of Directors
Promoter / Executive Director	Shri Umang Patodia
	Shri B. K. Patodia
	Shri. Y. Ikezoe (Nominee of Itochu Corporation)
	Shri T. Pius Joseph (Nominee of KSIDC)
Promoter / Non-Executive Director	Shri P. C. Seksaria (upto 26.03.2010)
	Shri T. Okui (alternate Director to Shri Y. Ikezoe) (upto 12.04.2010)
	Shri Keisuke Oba (Alternate Director to Shri Y. Ikezoe) (w.e.f 13.05.2010)
Independent Directors	Shri N. K. Bafna
	Shri B. L. Singhal
	Shri R. Rajagopalan
	Shri Rajen K Mariwala

Attendance of Directors at Board Meetings, last Annual General Meeting and Number of Other Directorships and Chairmanships / Memberships of Committees of each Director in various Companies:

Director	Attendance particulars		No. of other Directorships and Committee memberships / Chairmanships			Relationship interse Directors
	Board meetings	Last AGM	Other Directorship including Pvt. Ltd. Cos.	Other Committee Membership #	Other Committee Chairmanship #	
Shri.B K Patodia	4	Yes	10	None	None	Related to Shri.Umang Patodia
Shri.N K Bafna	4	Yes	3	5	2	None
Shri.B L Singhal	4	Yes	8	6	3	None
Shri.R Rajagopalan	4	No	4	6	4	None
Shri.Rajen K Mariwala	1	No	7	2	None	None
Shri.T Okui [Itochu Nominee]	2	No	1	None	None	None
Shri.T Pius Joseph [KSIDC nominee]	4	No	2	None	None	None
Shri.P.C Seksaria (upto 26.03.2010	4	Yes	1	None	None	None
Shri.Umang Patodia	4	Yes	4	None	None	Related to Shri.B K Patodia

In accordance with Clause 49 of the Listing Agreement, Membership / Chairmanship of only the Audit Committees and Shareholders/Investors Grievance Committees of all Public Limited Companies have been considered.

Number of Board meetings held and the dates on which held;

Four Board meetings were held during the year. The maximum time gap between any such Two meetings was not more than 3 calendar months.

The details of the Board Meetings are as under:-

Sl. No.	Date	Board Strength	No. of Directors present
1)	7th June, 2009	9	8
2)	30th July, 2009	9	7
3)	26th October, 2009	9	8
4)	29th January, 2010	9	8

3) Audit Committee

As on 31st March, 2010, the Audit Committee comprises of Shri N.K Bafna, Chairman, Shri. B L Singhal, Shri. R Rajagopalan, Shri P C Seksaria (upto 26.03.2010) and also Shri Umang Patodia, Managing Director (w.e.f. 29.03.2010).

All the Members of the Audit Committee possess financial / accounting expertise. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Shri Abhilash N.A, Deputy Company Secretary is the Secretary of the Audit Committee.

The composition, role, functions and powers of the Audit Committee are in line with the requirements of applicable laws and regulations.

The Audit Committee shall oversee financial reporting process and disclosures, review annual financial statements, management discussion and analysis of financial condition and results of operation, review adequacy of internal audit function, management letters/ letters of internal control weakness issued by the statutory auditors, internal audit report relating to internal control weakness, related party transactions, review financial and risk management policies, to look into the reasons for substantial defaults in the payment to depositors, debenture / shareholders and creditors, oversee compliance with stock exchange and legal requirements concerning financial statements, review auditors qualifications (draft), compliance with Accounting Standards, recommending the appointment and renewal of external Auditors / Internal Auditor, fixation of audit fee and also approval for payment for any other services, etc. The Audit Committee shall also review conditions stipulated in Clause 49 II(D)(12A) of the listing agreement prior to appointment of Chief Financial Officer (CFO).

During the year, the Committee met Four times. Attendances of each Member at the Audit Committee meetings held during the year are as follows:

Sl.No.	Name of the Member	Status	No. of meetings attended
1)	Shri.N K Bafna	Chairman & Independent Director	4
2)	Shri B.L Singhal	Independent Director	4
3)	Shri.R Rajagopalan	Independent Director	4
4)	Shri P.C Seksaria (upto 26.03.2010)	Non Executive Promoter Director	4
5)	Shri Umang Patodia (from 29.03.2010 onwards)	Managing Director	Nil

The details of the meetings are as under:-

Sl.No.	Date	Committee Strength	No. of Directors present
1)	6th June, 2009	4	4
2)	30th July, 2009	4	4
3)	26th October, 2009	4	4
4)	29th January, 2010	4	4

At the Annual general Meeting of the company held on 31st July 2009, the Chairman of the Audit Committee, Shri N K Bafna was present.

The Managing Director, Chief Financial Officer, Internal Auditors, Statutory Auditors and other Executives as considered as appropriate, also attend the Audit Committee Meetings.

i) Internal Audit and Control:

M/s.Varma & Varma, Chartered Accountants, Kochi, Internal Auditors carried out audit of the company except Ponneri Units, which is being carried out by M/s.V. C. Tirupati, Chartered Accountants, Coimbatore. Internal Audit Plan and their remuneration are being approved by the Audit Committee. The reports and findings of the Internal Auditors, and the Internal Control Systems, are periodically reviewed by the Audit Committee.

ii) Prevention of Insider Trading:

The Audit Committee also monitors implementation and compliance of the Company's Code of Conduct for prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended up to date. The

Board has designated Shri Abhilash N.A, Deputy Company Secretary as Compliance Officer of the Company.

iii) Risk Management:

The Company has laid down procedures to inform the Board Members about the risk assessment and minimization procedures. The Designated Officials submit quarterly reports which are reviewed periodically by the Management Committee to ensure effective risk management.

4) Remuneration Committee

The Remuneration Committee of the Board of Directors comprises of 3 Independent Non-Executive Directors namely; Shri. B L Singhal , Chairman ; Shri N.K Bafna , and Shri. R. Rajagopalan.

The Remuneration Committee has to recommend / review the remuneration package of the Managing Director. The remuneration policy is in consonance with the existing industry practice and also with the provisions of Companies Act.

Details of the remuneration paid to Managing Director for the year:

The aggregate of salary and perquisites paid for the year ended 31st March, 2010 to Managing Director, was as follows:-

Shri.Umang Patodia : Rs.40.75 lacs.

Besides this, the Managing Director was also entitled to Company's contribution to Provident Fund, Superannuation or Annuity Fund, to the extent not taxable and Gratuity and encashment of leave at the end of tenure, as per the Rules of the Company.

Remuneration paid to Non-Executive Directors:

No Remuneration is paid to Non-Executive Directors except sitting fees for attending the meeting of the Board and Committees thereof.

The details of payment of sitting fees are as follows;

Meeting	Amount (in Rs.)
Board	7500
Committee	5000

The Fees paid for the year ended 31st March, 2010 to the Directors are as follows:

Name of the Non-Executive Director	Sitting fee (Rs.)
Shri.B K Patodia	35000
Shri.N K Bafna	85000
Shri.B L Singhal	80000
Shri.R Rajagopalan	60000
Shri.P C Seksaria	80000
Shri.T Pius Joseph	30000
Shri Rajen K Mariwala	7500
ITOCHU Corporation, Japan (on behalf of their nominee)	15000

There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company. The Company has not granted any stock option to any of its Directors.

5) Shareholders' / Investors' Grievance Committee

Shareholders' / Investors' Grievance Committee comprises of Shri. B L Singhal, Chairman (Independent Director), Shri.N K Bafna (Independent Director), Shri.P C Seksaria (upto 26.03.2010) and Shri Umang Patodia(from 29.03.2010).

The Committee reviews redressing of shareholders and investors complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared Dividends, etc besides complaints from SEBI, Stock Exchanges, Court and various Investor forums. The Committee also oversees the performance of Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investors services.

During the year, the Committee met Four times, details of which are as under:-

Sl. No.	Date	Committee Strength	No. of Directors present
1)	6th June, 2009	3	3
2)	30th July, 2009	3	3
3)	26th October, 2009	3	3
4)	29th January, 2010	3	3

Shri Abhilash N.A, Deputy Company Secretary is the Compliance Officer.

Investor Grievance Redressal:

The total number of complaints received and resolved to the satisfaction of investors during the year under review are as under:-

Type of complaints	Number of complaints
Non-receipt of Annual Reports	1
Non-receipt of Dividend Warrants	7
Non-receipt of Share Certificates	2
Complaints in respect of Electronic Transfers	3
Complaints / queries received from Regulatory Agencies	—
Total:	13

There were no outstanding complaints as on 31st March, 2010. 8 requests for dematerialization were pending in the NSDL system for approval as on 31st March, 2010, and 7 requests were pending in the CDSL System, which were approved / confirmed on 3rd, 7th and 8th April, 2010.

In pursuance of Clause 47(f) of the Listing Agreement, the Company has displayed e-mail ID "patspin.com" or "patspinindia.com" in the Website for the purpose of registering complaints by investors and also to take necessary follow-up action.

6) General Body Meetings:

(i) Location, date and time of Annual General Meetings held during the preceeding 3 years and Special Resolutions passed:

Year	Location	Date	Day	Time	Special Resolution
2006-07	Aangan Hall, Bharat Hotel, Kochi-682 015	26.7.2007	Thursday	9.30 a.m.	Re-fixation of the remuneration of Shri.Umang Patodia, Managing Director, upto 03.08.2009
2007-08	-do-	25.07.2008	Friday	9.30 a.m.	De-listing of equity shares from the Cochin Stock Exchange Ltd.
2008-09	-do-	31.07.2009	Friday	9.30 a.m.	i) Consent for appointment and fixing of Remuneration of Managing Director ii) Consent to issue of Redeemable Preference Shares

The Special Resolution moved at the last Annual General Meeting was unanimously passed by a show of hands by the Shareholders present at the meeting.

(ii) Whether resolutions were put through Postal Ballot last year?

NO

(iii) Are votes proposed to be conducted through postal ballot, this year ?.

NO

7) Disclosures:

i) Related party transactions/material contracts

Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.

During the year, the Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the company.

All transactions with the Related Parties were in the ordinary course of business and at arms length.

ii) Details of Compliance

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI, or any Statutory Authority, on any matter related to Capital markets, during the last three years.

None.

(iii) Code of Conduct

The Company has laid down a Code of Conduct for the members of the Board as well as for all employees of the company. The Code of Conduct is available on the company's website, www.gtntextiles.com. The Managing Director has confirmed and declared that all members of the Board and Senior Management have affirmed compliance with the code of conduct. The declaration to that effect forms part of this report.

(iv) Adoption, Compliance and Non-Adoption of Non-mandatory requirements.

a) The Board

The Company meets expenses to maintain Chairman's office in the performance of his duties. The company has not fixed the tenure of Independent Directors on the Board. The dates of appointment of Independent Directors are as follows:

Name of Independent Directors	Date of first appointment
Shri N K Bafna	20.06.2000
Shri B L Singhal	20.06.2000
Shri R Rajagopalan	27.01.2005
Shri Rajen K Mariwala	21.01.2006

b) Remuneration Committee

Information pertaining to remuneration committee is provided in point No. 4 of this report.

c) Shareholder Rights

The company's quarterly and half yearly results are published in the newspaper and also uploaded on its website, www.gtntextiles.com. Therefore, no individual communication is sent to shareholders on the quarterly and half yearly financial results. However, if requested, the company provides the same to them individually.

d) Audit Qualifications

There are no qualifications in the Auditors' Report on the accounts for the year 2009-10.

e) Others

The Company has not adopted other non-mandatory requirements of Clause 49 of the listing agreement, relating to imparting training to the non executive directors, evaluation of their performance and the whistle blower policy.

v) Secretarial Audit Report

A qualified Practicing Company Secretary carried out a Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Secretarial Audit Report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical forms and the total number of dematerialized shares held with NSDL and CDSL.

8) Means of communication

Half-yearly report sent to each household of shareholders

Although, Half-yearly report is not sent to each household of shareholders, the Company normally publishes the same in the all India editions of THE FINANCIAL EXPRESS [National Daily] and MANGALAM [Regional News Paper].

Quarterly results

The quarterly results are normally published in the all India editions of THE FINANCIAL EXPRESS [National Daily] and MANGALAM [Regional Newspaper] along with the official news release.

The above said results and the Shareholding pattern have been uploaded in the website of SEBI under CFDS System, periodically.

The Company did not make any presentation to the analysts / institutional investors.

The Management Discussion and Analysis (MD&A) is a part of the Annual Report.

9) General Shareholder information:

I Annual General Meeting:

a) Date and Time : Saturday, 31st July, 2010, 10.30 A.M.

b) Venue : 'Aangan Hall', Bharat Hotel (BTH), Durbar Hall Road, Kochi. Pin: 682 016.

c) Financial calendar (tentative)

Annual General Meeting	: Saturday, 31st July, 2010, 10.30 A.M
Results for quarter ending 30th June, 2010	: On or before 15th of August 2010
Results for quarter ending 30th Sept., 2010	: On or before 15th of November 2010
Results for quarter ending 31st Dec., 2010	: On or before 15th of February, 2010
Results for Year ending 31st March, 2011	: On or before 15th of May, 2011, if it is unaudited and on or before 31st May, 2011, if it is audited.
d) Book closure date	: Saturday, the 24th day of July, 2010 to Saturday 31st day of July, 2010 (both days inclusive)

II a) Listing of Equity Shares on Stock Exchanges at : Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE)

b) Listing Fee : Annual Listing fees for the year 2010-11 have been duly paid to all the above Stock Exchanges. The Annual Custodial Charges to NSDL and CDSL has also been paid.

(i) Stock Code: Scrip Code No. : Bombay Stock Exchange : 514326

Trading symbol : National Stock Exchange : PATSPINLTD

(ii) Demat ISIN Nos. in NSDL and CDSL for Equity Shares : INE790C01014

III Stock market data : High/Low during each month in the last financial year.

(in Rs. per Share)

Month	BSE		NSE	
	High	Low	High	Low
April 2009	6.74	5.11	6.50	4.95
May 2009	8.57	5.61	8.75	5.50
June 2009	9.65	7.08	9.65	7.50
July 2009	8.40	6.33	8.65	6.60
August 2009	8.67	5.88	8.90	6.00
September 2009	7.96	6.82	8.00	6.70
October 2009	7.89	6.30	7.65	6.25
November 2009	9.50	5.68	9.00	6.05
December 2009	10.40	6.55	9.90	7.55
January 2010	13.40	9.10	13.35	8.60
February 2010	10.75	8.65	10.80	8.85
March 2010	10.30	7.91	10.00	7.50

IV Registrar and Transfer Agents (Share Transfer and communication regarding Share Certificates, Dividends and change of Address) : Integrated Enterprises (India) Limited
"Seema", 41/426, Rajaji Road
Near Abad Metro Hotel,
Ernakulam – 682 035, Kerala.
Telephone No. : (0484) 2371494 / 2366099
Fax No. : (0484) 2384735
E-Mail : yesbalu@iepindia.com or shaji@iepindia.com

V Share Transfer System

Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 21 days from the date of receipt, subject to the documents being valid and complete in all respects. The Board has delegated the authority for approving transfer, transmission, etc. of the Company's Securities to the Share Transfer Committee of the Board of Directors, constituted for this purpose. A summary of transfer / transmission of the Securities of the Company so approved by the Share Transfer Committee is placed at every Board Meeting. The Company obtains from a Company Secretary in Practice half yearly Certificate of Compliance with the Share Transfer formalities as required under Clause 47(C) of the Listing Agreement with Stock Exchanges and files a copy of the Certificate with the Stock Exchanges, within the prescribed time limit.

As regards shares held in Electronic form, the credit being given as per guidelines / by-laws issued by SEBI / NSDL / CDSL.

(in Rs. per Share)

VI Shareholding Pattern of Company:

(a) Shareholding Pattern as on 31st March, 2010:

SL. No.	Category	No of shares (Issued Equity)	%age
01)	Promoters & Associates	20096918	65.00
02)	Indian Financial Institutions, Banks, Mutual Funds	7300	0.02
03)	Foreign Institutional Investors / NRIs	280549	0.91
04)	Others	10535233	34.07
	Total	30920000	100.00

(b) Distribution of Shareholding as on 31st March 2010

No. of shares held	No of shareholders	% of shareholder	No. of shares (Issued Equity)	% of shareholding
Upto 100	11535	57.69	1099289	3.56
101-500	6072	30.37	1735798	5.61
501-1000	1217	6.08	1039736	3.36
1001-10000	1081	5.41	3171021	10.26
10001-100000	79	0.40	1929524	6.24
Above 100000	10	0.05	21944632	70.97
Total	19994	100.00	30920000	100.00

VII Dematerilisation of shares and Liquidity:

The shares of the company are compulsorily traded in DEMAT form by all categories of investors with effect from 29th January 2001. The company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scrip less trading. As on 23rd May, 2010; 83.86% of shares of the company were held in Dematerialised form.

Liquidity of shares:

The shares of the company are actively traded in Bombay Stock Exchange Limited (BSE) and on The National Stock Exchange of India Limited (NSE).

VIII Plant Locations :

(1) Patodia Nagar, 5/345, Para road,
Kanjikode East P.O Kerala – 678 621.

(2) S.F No.190 and 191, Tirupur Road,
Ponneri, Udumalpet, Tamil Nadu

IX Address for correspondence:-

i) Investor correspondence:
For transfer / de-materilisation of shares, payment of dividend on shares and any other query relating to the shares of the Company

a) For shares held in Physical Form:-
Integrated Enterprises (India) Ltd.
"Seema", 41/426, Rajaji Road
Near Abad Metro Hotel,
Ernakulam – 682 035
Telephone No.: (0484) 2371494/2366099
Fax No. : (0484) 2384735
E-Mail : yesbalu@iepindia.com or
shaji@iepindia.com

b) For share held on Demat form:-
To the Depository Participants.

(ii) Any query on Annual Report

Secretarial Department
PATSPIN INDIA LIMITED
5th Floor, Palal Towers, M G Road,
Ravipuram, Ernakulam,
Kochi – 682 016
E-Mail: cs@patspin.com

DECLARATION BY CEO ON CODE OF CONDUCT AS REQUIRED BY CLAUSE 49.I(D) (ii)

"As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, this is to declare that all the members of the Board and the Senior Management have been affirmed with the code of conduct for the year ended 31st March, 2010"

for **PATSPIN INDIA LIMITED**

Place : Kochi
Date : 13th May 2010

Umang Patodia
Managing Director

The above report was adopted by the Board of Directors at their meeting held on 13.05.2010

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of PATSPIN INDIA LIMITED

We have examined the compliance of conditions of corporate governance by PATSPIN INDIA LIMITED for the year ended March 31, 2010 as stipulated in clause 49 of the Listing agreement(s) of the said company with the stock exchange(s) in India.

The compliance of conditions of corporate governance is the responsibility of the company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and 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 read along with paragraph 2 of the Report on Corporate Governance, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

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.

FOR **M S JAGANNATHAN & VISVANATHAN**
CHARTERED ACCOUNTANTS
(ICAI Firm No. 001209S)

R. MUGUNTHAN
PARTNER
M NO.21397

Place : Kochi
Date : 13th May 2010

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

The textile industry plays a pivotal role in the Indian economy in terms of industrial production, employment and exports. Its contribution to forex earnings of the country was 12 per cent in 2009-10. This sector currently employs about 35 Million workers directly and 47 Million workers in allied sectors like Agriculture.

The Indian textile industry had been facing an extremely difficult period during the last two years due to global recession leading to adverse financial performance. During 2007-08, the textile industry was adversely affected due to sharp appreciation of Rupee and escalating cotton prices on account of unbridled exports of 85 lakh bales of raw cotton. In 2008-09, it further suffered adverse working on account of financial turmoil and economic slowdown in advanced countries of USA, EU and Japan, leading to a sharp contraction in consumer demand for textile products. Besides, Agriculture Ministry announced an unprecedented hike in minimum support price of seed cotton by 40 per cent, resulting in substantial higher cotton prices.

However, from the third quarter of 2009-10, there has been improvement in working due to strong recovery in domestic demand and revival of export demand for cotton yarn. Current indications are that the recovery will be sustained in the foreseeable future.

Although there are signs of recovery in the economies of advanced countries, the sustained global recovery hinges on the revival of private demand which continues to be weak in industrialized countries. Prospects of rapid recovery in EU could have been better but for the economic difficulties being experienced in Greece and Portugal.

The factors which impact working of Textile Industry are:

(1) The ruling prices of cotton are 30 to 40 per cent higher than the average prices which prevailed during October 2008 to April 2009. This is the primary reason for increase in the cost of production of cotton yarn.

(2) Acute power shortage of 50 – 55% in Tamil Nadu necessitating availment of power supply from independent power providers, leading to increase in the cost of power in the current year, compared to last year.

(3) Rising wage cost and a hefty increase in the Minimum Wages in Tamil Nadu.

(4) Higher cost of borrowings and withdrawal of concessional rate of interest for export credit.

From December 2008, the Government had announced three economic stimulus measures (including Interim Budget) to arrest the decline in the economic growth of certain industries which were labour-intensive, which included textiles. However, the only benefit which accrued to the textile industry was extension of interest subvention of 2% for exports which was 4 per cent during November 2007 to September 2008.

Further, RBI has advised Banks to replace BPLR system with a Base Rate System from 1st July, 2010. Accordingly, the interest rates on pre-shipment rupee export credit up to 270 days and post-shipment rupee export credit up to 180 days will be deregulated.

(5) Abolition of DEPB rate of 7.67% on exports of cotton yarn with effect from 21st April 2010 and withdrawal of duty drawback with effect from 29th April, 2010. Industry and trade organizations have represented to the Government to restore the duty drawback rates of 4 per cent and refix the DEPB rate at 3.67 per cent for cotton yarn.

(6) Fluctuations in Rupee Exchange Rates

RBI has expressed concern at the exchange rate volatility. In fact, the Rupee exchange rate in April, 2009 was Rs.51 to a Dollar which declined to Rs. 46/- in March, 2010. This has further declined to around Rs. 44.50 during April, 2010. Thus, between April, 2009 and March, 2010 the Rupee has appreciated by 10 per cent and 13 per cent by April, 2010.

(7) Registration of Export Contracts

With effect from 9th April, 2010, the Ministry of Textiles has introduced the system of registration of export contracts for cotton yarn. This will facilitate preparation of data base on cotton yarn exports, but has increased the scriptory work for the spinning industry.

It is pertinent to mention that despite the above mentioned adverse factors, there has been improvement in the working of textile industry due to strong domestic demand and revival of export markets. It is expected that this trend will continue to sustain in the coming months.

Spinning and Weaving Capacities

At the end of 2009, the world's total installed spindles are estimated at 227 million. In India, the total number of installed spindles, both in the organized and small scale sector, was 41.90 million as at the end February, 2010, representing over 18 per cent of world's spindleage, as against China's share of over 48 per cent, with 110 million spindles in 2009. Deducting the number of spindles in the closed mills, the number of active spindles works out to around 34 million in India, which has the second largest spinning capacity in the world after China, although it is a distant number two. Likewise, the number of installed open end rotors has increased to 673 thousand as compared to 621 thousand in 2007-08 and 659 thousand in 2008-09. It is pertinent to point out that the expansion of spinning capacity both in the organized sector and small spinning sector has been significant.

It is understood that mills have placed huge orders for spindles with machinery manufacturers. This will lead to expansion - modernization of spinning sector. Thus, it will be in a position to cater to rising domestic demand from the downstream value chain and also cater to higher export demand for cotton yarn.

A major chunk of spinning capacity expansion took place under the TUF Scheme, which was operative up to 31st March, 2007. However, under the modified TUF Scheme operative from November, 2007, the response for expansion of spinning capacity which was not encouraging initially has once again shown signs of revival, due to improvement in demand scenario.

The number of looms in the mill sector has remained stagnant at 71,000 during the last four years. However, the weaving capacity in the powerloom sector has increased from 21 lakh looms in March, 2007 to 22.38 lakh looms as of December, 2009.

The total production of spun yarn had marginally declined from 4003 million kgs in 2007-08 to 3914 million kgs in 2008-09. However, during 2009-10, the production has again picked up and is currently projected at 4200 million kgs, showing a rise of about 7 per cent. Similarly, production of cotton yarn has also enhanced from 2898 million kgs in 2008-09 to 3073 million kg in 2009-10. This shows a rise of over 6 per cent. During 2010-11, this trend is likely to continue primarily because of strong domestic and export demand for textile products.

It may be stated that the growth rate targeted for cotton yarn under the Eleventh Five Year Plan is much higher at 14%. Even Confederation of Indian Textile Industry's (CITI's) Vision Statement on Textile Industry has projected much higher growth. This underscores the point that there is still good potential for growth.

Exports of Cotton Textile Products

The detailed figures of exports of textiles and clothing are published by the Director General of Commercial Intelligence & Statistics (DGCIS). The latest detailed figures published by DGCIS are available only up to March, 2009. According to Texprocil's projection, total exports of cotton textile products of yarn, fabrics and made-ups are estimated at 5 billion USD in 2009-10 almost at the same level as in 2008-09. Exports of cotton yarn during 2009-10 are estimated at 1.30 billion USD as compared to 1.50 billion USD in 2008-09, registering a fall of about 13 per cent. In 2010-11, exports of cotton yarn are projected to be higher because of revival of demand in export markets on the one hand and expansion in capacity and continuous modernization in the spinning industry on the other.

Cotton Scenario

The Cotton Advisory Board has estimated the cotton crop for the season 2009-10 at 292 lakh bales. In this cotton season, the per hectare yield has dropped to 488 kgs. as against 524 kgs. achieved in the season 2008-09 and 567 kgs in 2007-08. The decline in productivity and production has come about mainly on account of unfavourable weather conditions in the beginning of the season. Over 73% of the area under cotton cultivation is accounted for by Bt. cotton. In the years to come, the share of Bt. cotton in the total production is expected to increase significantly.

The production of organic cotton in India has been rising. According to latest available figures, the global production of organic cotton in the season 2008-09 was around 2 lac metric tonnes. India's production of organic cotton was over 1 lac metric tonnes, representing a share of 50%. The demand for organic textile products from overseas markets has been rising. To meet this demand, it is expected that the production of organic cotton in India will increase further.

With the prediction of normal monsoon for the coming season and other favourable factors like higher cotton prices in the current season, farmers will find it attractive to increase area under cotton cultivation. Other favourable factors are: growing awareness among farmers for adoption of better technology and augmented supply of a good quality seed. Hopefully,

cotton production in the coming season will appreciably increase. Even globally also cotton production in the coming year is projected to be higher than current year, according to International Cotton Advisory Committee (ICAC).

It may be stated that the textile industry could perform well during 2004 to 2007 mainly on account of stable cotton prices and adequate availability of good quality cotton. However, for the season 2008-09, Government announced an unprecedented hike of 40% in Minimum Support Prices for seed cotton as against an average increase of 5 – 8% in the past. Consequently, Indian cotton prices became 10-15% higher than international prices.

The Textile Ministry has done away with incentives for export of cotton. Instead export duty of Rs.2500 per metric tonne has been imposed with a view to regulating exports of raw cotton. The Ministry has also disciplined CCI's marketing operations under which huge discount and long credits to very large buyers/exporters of cotton were given in the past year. Appreciating the special difficulties experienced by mills in Tamil Nadu on account of heavy logistic costs, the Textile Minister has made CCI to open depots in Tamil Nadu to stock cotton transported by more efficient means.

According to ICAC, both the global production and consumption of cotton in the season 2008-09 was 23.43 million tons and ending stocks were 12.75 million tons. For the cotton season 2009-10, ICAC has projected lower cotton production at 22.10 million tons and consumption at 24.40 million tons. The ending stocks for 2009-10 is estimated at 10.50 million tons, 18 per cent lower than previous year.

For the cotton season 2010-11, global production is forecast higher by 13 per cent at 24.90 million tons and consumption at 24.79 million tons, with ending stocks of 10.60 million tons. World cotton area is expected to increase by 8 per cent to 32.68 million hectares in 2010-11. Assuming average weather, the world average yield is forecast to increase to 760 kgs per hectare.

ICAC's price forecast for the season 2009-10 is 78 cents per pound and for 2010-11 the forecast is 85 cents per pound. The increase was driven by a rising gap between declining production and recovering consumption.

OPPORTUNITIES AND THREATS

The health of textile units is primarily dependent on adequate availability of quality cottons at competitive prices. With the augmented supply of quality seed and larger production of hybrids and Bt. Cottons, production of cotton in the coming season 2010-11 is likely to be comfortable.

It may be stated that Duty Drawback is not incentive but only refund of indirect taxes suffered by export products. Abrupt denial of this legitimate due is totally unjustified. Further, remission of duties suffered by exported products is totally WTO-compliant. Withdrawal of Duty Drawback runs counter to the well-accepted Government Policy of not exporting taxes. One can only hope that the Government will restore the Duty Drawback.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The company is engaged in the business of manufacture and export of cotton yarn and accordingly this is the only Single Reportable Segment.

OUTLOOK

The Indian Spinning Industry has tremendous potential for healthy growth on a sustained basis provided market forces of demand and supply are allowed to operate unhindered. Government's recent measures for regulating export of cotton yarn are not in consonance with the tenets of liberalization and globalization. Confederation of Indian Textile Industry (CITI), The Cotton Textiles Export Promotion Council (Texprocil) and other concerned organizations have been pleading with the Government not to tinker with the healthy growth of the spinning industry and one can only hope that Government would soon realize the importance of the same.

Fortunately for the spinning industry, the domestic demand continues to be strong and with the revival of export market, prospects for the spinning industry are highly promising.

RISKS AND CONCERNS

(I) Raw Cotton, an agricultural product, is the key raw material used for the manufacture of cotton yarn. Almost 65 per cent of area under cotton cultivation is rain-fed and hence is dependent on vagaries of monsoon. Adequate availability of raw cotton at right prices is crucial for the Company. Any disruption in the supply and/or violent changes in the cost structure would affect the profitability of the Company.

(II) The RBI's monetary policies are largely dictated towards controlling the inflation. Consequently, it has been raising the rates of interest, making the finance cost higher.

(III) Your company follows an efficient inventory management system and a well-crafted strategy of procuring raw materials through a mix of spot and long-term contracts. The company's conscious efforts on maintaining a judicious mix of markets for its sales and thrust on specialty products like organic and fair trade textile products have also proved to be effective.

(IV) Volatility in foreign currency exchange rates vis-a-vis Indian Rupee is another area of concern since a sizeable production of cotton yarn is exported by your Company. The Company has in place various Management Information Systems, which enable the management to take decisions on exposures relating to exports, imports, foreign currency loans, etc. The Company continues to strengthen these systems to minimize the risk involved due to adverse movement of exchange rates.

(V) Your company has a system of assessing the risks on an ongoing basis. This includes an effective internal control and management reporting system. Further, the framework also captures the existing practices to manage commodity price risk, interest risk, and foreign exchange risk etc. An important aspect of this framework is to promote a balanced approach that considers risk and return.

(VI) Apart from the intensification of international competition, the areas of concern are poor infrastructure resulting in higher transaction cost, withdrawal of Duty Drawback rates and DEPB for cotton yarn, high cost of power and Government's reluctance to introduce labour reforms. It is hoped that satisfactory solutions will be found in the near future. Another area of concern is Government's periodical announcements for liberalized tariff concessions offered to Least Developed countries like Bangladesh, Nepal, Bhutan and other countries under SAFTA.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensue that all assets are safeguarded and protected against loss from unauthorised use or disposition and that all transactions are authorized, recorded and reported correctly.

The internal control is supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

DISCUSSIONS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Please refer to Directors' Report on performance review.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people. The company has been adopting methods and practices for Human Resources Development. With utmost respect to human values, the Company continues to develop its human resources, through a variety of services by providing appropriate training, motivation techniques and employee welfare activities.

Industrial relations are cordial and satisfactory.

As on 31st March, 2010, the Company has about 1235 employees in its various offices and factory.

CAUTIONARY STATEMENT

Statements made in this report describing the Company's projections, estimates, expectations or predictions may be 'forward looking predictions' within the meaning of applicable securities laws and regulations. Actual result may differ from such estimates, projections, etc. whether expressed or implied. Factors which would make a significant difference to the Company's operations include availability of quality raw cotton, market prices in the domestic and overseas markets, changes in Government regulations and tax laws, economic conditions affecting demand / supplies and other environmental factors over which the company does not have any control.

AUDITORS' REPORT

Auditor's Report to the Members of Messrs. PATSPIN INDIA LIMITED

1. We have audited the attached Balance Sheet of Messrs. PATSPIN INDIA LIMITED as at 31st March, 2010 and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 and 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 Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii) 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;

   iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the Books of Account;

   iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   v) On the basis of written representation received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, on the said date.

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes to Accounts in Schedule "19" and those appearing elsewhere in the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

      b) in the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and

      c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

FOR **M S JAGANNATHAN & VISVANATHAN**
CHARTERED ACCOUNTANTS
(ICAI Firm No. 001209S)

R. MUGUNTHAN
PARTNER
M NO.21397

Place : Kochi
Date : 13th May 2010

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010 OF PATSPIN INDIA LIMITED.

On the basis of such checks as we considered appropriate during the course of our audit, we state that:

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to us, the fixed assets are physically verified in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.

(c) During the year, there was no sale of substantial part of fixed assets and hence the going concern of the Company is not affected.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanation 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) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) The Company had not taken / granted loan from / to Companies covered in the register maintained under Section 301 of the Companies Act, 1956 and hence sub clauses b, c, d, e, f, g and h of clause (iii) of the said Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system 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, we have not observed any continuing failure to correct major weaknesses in internal control system.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or Reserve Bank of India or any court or any other Tribunal.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the Books of Account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.

(b) According to the information and explanation given to us the following dues of which have not been deposited on account of dispute and the same is being contested by the Company.

Sl.No.	Name of the Statute	Nature of the Dues	Amount (Rs. in lacs)	Year to which the amount relates	Forum where dispute is pending
1)	Income Tax Act	Tax & Interest	1401.41	A.Y: 2001-02; to A.Y: 2006-07	Income Tax Appellate Tribunal, Kochi

(x) In our opinion, the accumulated losses of the Company are not more than fifty percent of the networth. Further, the Company has not incurred cash loss during the financial year covered by our audit and has incurred cash loss of Rs. 1746.52 lacs in the immediately preceeding financial year.

(xi) Based on our Audit procedures and according to the information given to us, the company has not defaulted in repayment of dues to Financial Institutions and Banks.

(xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advance on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) In our opinion, during the year the Company has not given guarantee for loans taken by others from banks or Financial Institutions.

(xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.

(xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company has not issued any debentures during the year.

(xx) The Company has not raised any monies by way of Public Issues during the year.

(xxi) According to the explanation and information given to us, based upon the audit procedures performed and representations made by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our Audit.

FOR **M S JAGANNATHAN & VISVANATHAN**
CHARTERED ACCOUNTANTS
(ICAI Firm No. 001209S)

R. MUGUNTHAN
PARTNER
M NO.21397

Place : Kochi
Date : 13th May 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedules	As at 31.03.2010 (Rs. in lacs)	As at 31.03.2009 (Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,542.00	3,092.00
Reserves and Surplus	2	1,468.28	1,468.28
		5,010.28	4,560.28
Loan Funds			
Secured Loans	3	28,847.68	27,956.53
Unsecured Loans	4	25.00	—
		28,872.68	27,956.53
Deferred Tax Liability (Net)		453.35	657.69
		34,336.31	33,174.50
Total			
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		36,851.39	36,615.74
Less : Depreciation		12,414.15	10,429.76
Net Block		24,437.24	26,185.98
Capital Work-In-Progress		4.16	3.56
		24,441.40	26,189.54
Investments	6	0.32	0.32
Current Assets, Loans and Advances	7		
Inventories		6,021.07	5,095.17
Sundry Debtors		1,598.26	838.59
Cash and Bank balances		1,077.18	630.77
Other Current Assets		106.35	6.68
Loans and Advances		2,138.75	2,655.09
		10,941.61	9,226.30
Less: Current Liabilities and Provisions	**8**		
Liabilities		3,550.63	4,338.98
Provisions		—	—
		3,550.63	4,338.98
Net Current Assets		7,390.98	4,887.32
Profit and Loss Account		2,503.61	2,097.32
		34336.31	33,174.50
Total			
Significant Accounting Policies and Notes forming part of Accounts	19		
Schedules 1 to 8, 19 form part of the Balance Sheet			

As per our report of even date attached

For **M.S. JAGANNATHAN & VISVANATHAN**
Chartered Accountants

R. MUGUNTHAN
Partner
M. No. 21397

For and on behalf of the Board

B K PATODIA Chairman
N K BAFNA Director
B L SINGHAL Director
R RAJAGOPALAN Director
RAJEN K. MARIWALA Director
T PIUS JOSEPH Director
K OBA Director
UMANG PATODIA Managing Director

Place: Kochi
Date : 13th May, 2010

ABHILASH N.A
Deputy Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedules	Year Ended 31.03.2010 (Rs. in lacs)	Year Ended 31.03.2009 (Rs. in lacs)
INCOME			
Sales	9	30,197.59	22,255.77
Less : Excise Duty		Nil	0.12
		30,197.59	22,255.65
Other Operating Income	10	99.80	—
Other Income	11	56.81	0.07
Increase/(Decrease) in stock	12	(1,082.33)	1,060.16
Total		29,271.87	23,315.88
EXPENDITURE			
Cost of Materials	13	19,104.69	15,375.15
Personnel Expenses	14	1,387.62	1,383.62
Manufacturing Expenses	15	3,483.52	2,974.26
Sales and Distribution Expenses	16	974.64	1,057.28
Interest Charges	17	2,061.70	2,269.69
Other Expenses	18	870.62	2,002.40
Total		27,882.79	25,062.40
Profit / (Loss) before Depreciation and Tax		1,389.08	(1,746.52)
Depreciation		1,999.71	1,872.07
Profit / (Loss) before Tax		(610.63)	(3618.59)
Less: Deferred Tax Expense / (Benefit)		204.34	1,031.05
Less: Provision for Fringe Benefit Tax		—	(15.88)
Profit / (Loss) after Tax		(406.29)	(2,603.42)
Profit / (Loss) brought forward from Previous year		(2,097.32)	—
Transferred from General Reserve		—	506.10
Profit / (Loss) Balance carried forward to Balance Sheet		(2503.61)	(2,097.32)
Basic and Diluted EPS (in Rs.)		(1.31)	(8.42)
Significant Accounting Policies and Notes forming part of Accounts	19		
Schedules 9 to19 form part of the Profit & Loss Account			

As per our report of even date attached

For **M.S. JAGANNATHAN & VISVANATHAN**
Chartered Accountants

R. MUGUNTHAN
Partner
M. No. 21397

For and on behalf of the Board

B K PATODIA Chairman
N K BAFNA Director
B L SINGHAL Director
R RAJAGOPALAN Director
RAJEN K. MARIWALA Director
T PIUS JOSEPH Director
K OBA Director
UMANG PATODIA Managing Director

Place: Kochi
Date : 13th May, 2010

ABHILASH N.A
Deputy Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	2009-10 (Rs. in lacs)	2008-09 (Rs. in lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS	(610.63)	(3,618.59)
Adjustments for:		
Depreciation	1,999.71	1,872.07
Interest Charged	2,061.70	2,269.69
Profit on Sale of Assets	(6.19)	—
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	3,444.59	523.17
Adjustments for:		
Trade and other Receivables	(353.21)	902.97
Inventories	(925.90)	(1,436.24)
Trade payables	(1,029.59)	2,766.89
CASH GENERATED FROM OPERATIONS	1,135.89	2,756.79
Direct Taxes Paid	10.20	18.50
NET CASH FROM OPERATING ACTIVITIES	1,146.09	2,775.29
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(260.52)	(3,852.30)
Sale of Fixed Assets	15.13	—
NET CASH USED IN INVESTING ACTIVITIES	(245.39)	(3,852.30)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Preference Share Capital	450.00	—
Proceeds from Long Term Borrowings	1,250.88	2,793.57
Proceeds from Long Term Borrowings FITL	1,324.26	787.53
Repayment of Long Term Borrowings	(837.56)	(324.65)
Repayment of Long Term Borrowings FITL	(838.45)	—
Proceeds from Hire Purchase Borrowings (Net)	(7.98)	(13.37)
Proceeds from Corporate Term Borrowings(Net)	—	33.00
Fixed Deposits Others	25.00	—
Interest Paid	(1,820.45)	(2,269.69)
NET CASH FROM FINANCING ACTIVITIES	(454.29)	1,006.39
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	446.41	(70.62)
CASH & CASH EQUIVALENTS AS AT (OPENING BALANCE)	630.77	701.39
CASH & CASH EQUIVALENTS AS AT (CLOSING BALANCE)	1,077.18	630.77

Note : 1. The above cash flow statement has been prepared by using the indirect method as per Accounting Standard 3 - Cash Flow Statement issued by the Institute of Chartered Accountants of India.

2. Previous year's figures have been regrouped wherever necessary.

As per our report of even date attached

For **M.S. JAGANNATHAN & VISVANATHAN**
Chartered Accountants

R. MUGUNTHAN
Partner
M. No. 21397

For and on behalf of the Board

B K PATODIA Chairman
N K BAFNA Director
B L SINGHAL Director
R RAJAGOPALAN Director
RAJEN K. MARIWALA Director
T PIUS JOSEPH Director
K OBA Director
UMANG PATODIA Managing Director

Place: Kochi
Date : 13th May, 2010

ABHILASH N.A
Deputy Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31.03.2010 (Rs. in lacs)	As at 31.03.2009 (Rs. in lacs)
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED		
4,00,00,000 Equity shares of Rs.10 each	4000.00	4000.00
25,00,000 Redeemable Preference Shares of Rs.100 each	2500.00	2500.00
Total	6500.00	6500.00
ISSUED,SUBSCRIBED, CALLED UP AND PAID UP		
3,09,20,000 Equity shares of Rs.10 each fully paid up	3092.00	3092.00
4,50,000 5% Non Cumulative Redeemable Preference Shares of Rs.100 each (Previous Year: Nil)	450.00	—
Total	3542.00	**3092.00**

Note to Schedule 1:

Out of 4.50 lac Redeemable Preference Shares as above, 3.50 lac Shares issued under Series 1 and 1.00 lac Shares issued under Series II, aggregating Rs. 450 lac shall redeem at the end of 12th year from the date of allotment, i.e. on 30.07.2021 and 07.02.2022 respectively. The Board of Directors have an option to redeem these Shares not earlier than 30.07.2014 and 07.02.2015.

SCHEDULE 2			
RESERVES AND SURPLUS			
CAPITAL REDEMPTION RESERVE			
As per last Balance Sheet	1000.00		1000.00
SECURITIES PREMIUM ACCOUNT			
As per last Balance Sheet	468.28		468.28
GENERAL RESERVE			
As per last Balance Sheet		506.10	
Less: Transferred to Profit and loss account	—	506.10	—
Total	1468.28		1468.28

SCHEDULE 3		
SECURED LOANS		
I. TERM LOANS		
(a) From Financial Institutions	876.37	880.59
(b) From Banks	23422.87	22527.40
II. HIRE PURCHASE LOANS		
From Banks	3.44	11.42
III. WORKING CAPITAL LOANS		
From Banks	4545.00	4537.12
	28847.68	27956.53

Notes to Schedule 3:

1 (i) Term loans from banks and financial institutions, excluding corporate term loan from a bank of Rs. 1500 lacs (security for which is explained in Para 1(ii) below), are secured by first charge by way of equitable mortgage on all the immovable assets of the Company, both present and future, and by way of hypothecation on all moveable assets (excluding assets purchased on hire purchase basis) of the Company, and further secured by second charge on current assets of the Company,subject to prior charges in favour of banks for working capital ranking pari passu,inter se (as mentioned in 3 (i) and (ii) below), and further secured by personal guarantee of 2 directors of the Company.

(ii) Corporate term loan from a bank of Rs. 1500 lacs mentioned in para 1 (i) above is secured by way of hypothecation of moveable assets (excluding assets purchased on hire purchase basis) of the Company, both present and future, has been secured by second charge by way of equitable mortgage on the immovable assets of the Company, both present and future, and further secured by personal guarantee of 2 directors of the Company.

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd)

2 Hire Purchase loans from banks are relating to vehicles and are secured by hypothecation of respective vehicles costing Rs. 20.43 lacs (Previous year Rs.62.68 lacs)

3 (i) Working Capital loans from banks are secured by first charge by way of hypothecation on current assets of the company and further secured/to be secured by way of second charge over the assets mentioned in para (1) above and further secured by personal guarantee of 2 directors of the Company.

(ii) Non-fund based limits sanctioned by the bankers are secured by extension of first charge on the current assets of the Company and further secured/to be secured by second charge on the immovable properties of the company and further secured by personal guarantee of 2 directors of the Company. Total amount outstanding at the end of the year is Rs.3108.95 lacs (Previous year Rs.3049.24 lacs).

	As at 31.03.2010 (Rs. in lacs)	As at 31.03.2009 (Rs. in lacs)
SCHEDULE 4		
UNSECURED LOANS		
FIXED DEPOSITS		
Others	25.00	—
(Payable within one year Rs 25 Lacs) (Previous year Rs Nil)		
Total	25.00	—

SCHEDULE - 5

FIXED ASSETS

(Rs. In lacs)

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions	Deductions/ Adjustments	As at 31.03.2010	Upto 31.03.2009	For the Year	Deductions/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land-Freehold	271.87	—	—	271.87	—	—	—	—	271.87	271.87
Buildings	4,664.83	114.03	—	4,778.86	1,011.34	134.01	—	1,145.35	3,633.51	3,653.49
Plant & Machinery	25,656.16	113.98	4.94	25,765.20	7,672.83	1,365.90	4.67	9,034.06	16,731.14	17,983.33
-do- Wind Turbine	3,453.95	—	—	3,453.95	797.10	357.14	—	1,154.24	2,299.71	2,656.85
Electrical Installations	2,153.95	12.39	—	2,166.34	703.86	113.81	—	817.67	1,348.67	1,450.09
Furniture & Office Equipments	275.30	13.26	—	288.56	173.21	14.37	—	187.58	100.98	102.09
Vehicles *	139.68	0.03	13.10	126.61	71.42	14.48	10.65	75.25	51.36	68.26
Total	36,615.74	253.69	18.04	36,851.39	10,429.76	1,999.71	15.32	12,414.15	24,437.24	26,185.98
Previous year	28,942.27	7,673.47	—	**36,615.74**	8,557.70	1,872.07		**10,429.76**	**26,185.98**	20,384.57
Capital Work - in Progress									4.16	3.56

*Vehicles Rs.20.43 lacs (Previous year Rs 62.68 lacs) acquired on Hire purchase basis.

(Rs in lacs)

Capital Work-in -Progress (at cost) comprises :	As at 31.03.2010	As at 31.03.2009
Plant & Machinery	**4.16**	3.56
Total	**4.16**	3.56

	As at 31.03.2010 (Rs. in lacs)	As at 31.03.2009 (Rs. in lacs)
SCHEDULE 6		
INVESTMENTS - At cost		
LONG TERM - FULLY PAID-UP		
NON-TRADE INVESTMENTS		
Unquoted		
National Savings Certificates (Lodged with statutory authorities)	0.32	0.32
Total	0.32	0.32

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd)

		As at 31.03.2010 (Rs. in lacs)		As at 31.03.2009 (Rs. in lacs)	
SCHEDULE 7					
CURRENT ASSETS, LOANS AND ADVANCES					
CURRENT ASSETS					
INVENTORIES (As taken, valued and certified by the Management)					
Stores, Spares and Packing Materials			63.00		73.18
Stock In Trade					
Raw Materials		4644.98		2601.10	
Goods-in-Process		470.78		285.60	
Finished Goods		808.69		2113.13	
Waste Stock		33.62	5958.07	22.16	5021.99
	Total		6021.07		5095.17
SUNDRY DEBTORS					
(Unsecured, considered good, except otherwise stated)					
Over Six months		33.29		33.28	
Other Debts		1564.97	1598.26	805.31	838.59
	Total		1598.26		838.59
CASH AND BANK BALANCES					
Cash on Hand			1.48		0.91
Balances with Scheduled Banks in					
Current Accounts		533.41		209.45	
Unpaid Dividend Accounts		29.12		35.54	
Margin Money Deposit Accounts		508.52		376.03	
Deposit Accounts		4.65	1075.70	8.84	629.86
	Total		1077.18		630.77
OTHER CURRENT ASSETS					
Interest accrued and Other Claims Receivable			106.35		6.68
LOANS AND ADVANCES					
(Unsecured, considered good, except otherwise stated)					
Advances recoverable in cash or in kind or for value to be received					
Considered Doubtful		2.13		2.13	
Less: Provision for Doubtful advances		2.13	—	2.13	—
Considered Good			1019.88		1483.26
Deposits			124.00		92.49
Income Tax (Net of Provision Rs.130.46 lacs; Previous year Rs.130.46 lacs)			337.78		327.56
Balances with Statutory Authorities			657.09		751.78
	Total		2138.75		2655.09
SCHEDULE 8					
CURRENT LIABILITIES AND PROVISIONS					
CURRENT LIABILITIES					
Sundry Creditors :					
Due to Micro, Small and Medium Enterprises		25.42		27.20	
Due to Others		2697.86	2723.28	3469.40	3496.60
Investor's Education and Protection Fund *					
Unclaimed Dividend		29.12		35.54	
Interest accrued thereon		—	29.12	—	35.54
Other Liabilities			798.23		806.84
			3550.63		4338.98

*shall be deposited after completion of 7 years

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

			Year ended 31.03.2010 (Rs. in lacs)		Year ended 31.03.2009 (Rs. in lacs)
SCHEDULE 9					
SALES					
Finished Goods :					
Exports			11224.30		11933.53
Local			13854.34		4596.47
Traded Goods					
Exports			2282.24		3270.84
Waste and Other Sales					
Exports		636.19		732.24	
Local		1383.01	2019.20	1035.73	1767.97
Export Incentives			817.51		686.95
	Total		30197.59		22255.77
SCHEDULE 10					
OTHER OPERATING INCOME					
Insurance claim on Stock Damaged Due to Fire					
Raw materials			74.33		—
Goods-in-process			25.47		—
			99.80		—
SCHEDULE 11					
OTHER INCOME					
Agricultural Income			0.33		0.07
Sale of Verified Emission Reduction Certificate			50.29		—
Profit on sale/discard of Fixed Assets (Net)			6.19		—
	Total		56.81		0.07
SCHEDULE 12					
INCREASE/(DECREASE) IN STOCK					
CLOSING STOCK					
Finished Goods		808.69		2113.13	
Goods-in-process		470.78		285.60	
Waste		33.62	1313.09	22.16	2420.89
LESS: OPENING STOCK					
Finished Goods		2113.13		980.57	
Goods-in-process		285.60		353.20	
Waste		22.16	2420.89	26.96	1360.73
			(1107.80)		1060.16
Stock Damaged Due to Fire			25.47		—
	Total		(1082.33)		1060.16
SCHEDULE 13					
COST OF MATERIALS					
Opening Stock			2601.10		2233.53
Add:Purchases		21862.88		13086.00	
Less:Sale of Cotton		2891.60		431.21	
Less:Stock Damaged Due to Fire		74.33	18896.95	—	12654.79
Less: Closing Stock			4644.98		2601.10
Raw materials Consumed			16853.07		12287.22
Purchase of Traded Goods			2251.62		3087.93
	Total		19104.69		15375.15

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (Contd.)

			Year ended 31.03.2010 (Rs. in lacs)		Year ended 31.03.2009 (Rs. in lacs)
SCHEDULE 14					
PERSONNEL EXPENSES					
Salaries, Wages and Bonus			1081.73		1079.60
Contribution to Provident and Other Funds			109.18		108.99
Welfare Expenses			143.43		136.49
Managing Director's Remuneration			53.28		58.54
	Total		1387.62		1383.62
SCHEDULE 15					
MANUFACTURING EXPENSES					
Processing Charges			219.30		83.32
Power and Fuel(net)			2501.55		2223.68
Stores, Spares and Packing Materials			422.34		420.48
Repairs and Maintenance :					
Building		6.92		10.79	
Plant & Machinery		314.40		214.65	
Others		19.01	340.33	21.34	246.78
	Total		3483.52		2974.26
SCHEDULE 16					
SALES AND DISTRIBUTION EXPENSES					
Commission and Brokerage			391.56		329.00
Freight, Forwarding and Other expenses			583.08		728.28
	Total		974.64		1057.28
SCHEDULE 17					
INTEREST CHARGES					
On Fixed Loans			1506.05		1521.83
On Others (Net)			555.65		747.86
	Total		2061.70		2269.69
SCHEDULE 18					
OTHER EXPENSES					
Insurance			75.11		53.82
Rates and Taxes			67.78		49.76
Rent			22.10		16.09
Auditors' Remuneration			2.37		1.50
Directors' Sitting fees			3.93		3.58
Telephone, Fax Charges			7.61		9.42
Travelling and Conveyance expenses			45.55		57.75
Miscellaneous Expenses			201.29		176.33
Bank and Finance Charges			253.26		164.00
Stock Damaged Due to Fire			99.80		—
Foreign Exchange Difference -Net			(30.13)		893.84
Loss on cancellation of Forward Contracts			121.95		576.31
	Total		870.62		2002.40

NOTES FORMING PART OF ACCOUNTS

SCHEDULE 19

I. SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

The financial statements have been prepared to comply with the mandatory Accounting Standards prescribed in the Companies (Accounting Standards) Rules 2007, issued by National Advisory Committee on Accounting Standards. The financial statements have been prepared under the historical cost convention, on the basis of a going concern, on accrual basis.

B) USE OF ESTIMATES

The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses of that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognized prospectively.

C) FIXED ASSETS

(i) All fixed assets are stated at cost, less accumulated depreciation. Expenditure during construction period in respect of new project/ expansion is allocated to the respective fixed assets on their being ready for commercial use. Also refer Para G and J below.

(ii) Impairment of Assets :

The company assesses at each Balance Sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to recoverable amount and the impairment loss is charged to Profit and Loss account. If at the Balance Sheet date there is any deduction that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

D) INVESTMENTS

Long term Investments are stated at cost less provision, if any, for other than temporary diminution in the value of investments.

E) INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost of Raw Material is computed by using “Specific Identification” method and for other inventories “Weighted Average” method. The cost includes costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

F) REVENUE RECOGNITION

Sales are recognised as and when risks and rewards of ownership are passed on to the buyer and ultimate realisation of price is reasonably certain. Export Sales are inclusive of deemed exports while domestic sales are net of Value Added Tax. Claims and other incomes are recognized based on virtual certainty of such claims and incomes.

G) BORROWING COST

Borrowing Costs attributable to acquisition and construction of qualifying assets are capitalised as a part of the cost of such asset upto the date when such asset is ready for its intended use. Other borrowing costs are charged to Profit & Loss Account.

H) DEPRECIATION

Depreciation has been provided under Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Plant & Machinery and Electrical Installations have been, on technical assessment, considered as continuous process plants as defined in the said Schedule and depreciation has been provided accordingly.

Depreciation on Wind Turbine Machinery has been provided on Straight Line Method at general rates as specified in the said Schedule.

Depreciation on the amounts capitalised on account of foreign exchange fluctuations are provided prospectively over the residual life of the assets.

I) EMPLOYEE BENEFITS

Short Term employee benefits including accrued liability for Leave Encashment (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are paid/provided during the year as per the Rules of the Company.

Defined Contribution Plans:

Company's contributions paid/payable during the year to Provident and Family Pension Funds, Superannuation Fund (wherever opted) and ESIC are recognized in the Profit & Loss Account.

Defined Benefit plans:

The Employees' Gratuity Fund Scheme covered by the Group Gratuity-cum-Life Assurance Policy of LIC of India is a Defined Benefit Plan. The present value of obligation is determined based on actuarial valuation using Projected Unit Credit Method which recognizes each period of service as giving rise to additional amount of employee benefit entitlement and measures each unit separately to build up the final obligation.

Termination Benefits:

Payments under Voluntary Retirement Scheme are recognized in the Profit and Loss Account of the year in which such payments are effected.

J) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the rate of exchange in force on the date of transactions.

Foreign currency assets and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the year-end and resultant gains/losses are recognised in the profit and loss account. Premium/Discount in respect of forward foreign exchange contracts is charged over the life of the contracts.

Foreign currency loan availed before 01-04-2004 for acquiring fixed assets are translated at the exchange rates prevailing at the end of the year. Gain or losses on such translation are adjusted to the cost of the fixed assets.

K) TAXATION

Income Tax expense comprises Current tax and Fringe benefit tax (i.e. amount of tax for the period determined in accordance with the Income Tax Law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year, unabsorbed depreciation or carry forward loss under taxation laws).

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted on the balance sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that the assets can be realised in future, however where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain as the case may be, to be realised.

Tax credit is recognized in respect of Minimum Alternative Tax (MAT) as per the provisions of Section 115JB of the Income Tax Act, 1961 based on convincing evidence that the company will pay normal income tax within the statutory time frame and is reviewed at each balance sheet date.

L) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

a) the company has a present obligation as a result of past event,

b) the probable outflow of resources is expected to settle the obligation and

c) the amount of the obligation can be reliably estimated

where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, such reimbursement is recognized to the extend of provision or contingent liability as the case may be, only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.

b) a possible obligation, unless the probability of outflow of resources is remote

NOTES FORMING PART OF ACCOUNTS (contd.)

II. NOTES FORMING PART OF ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Nil (Previous year Rs.Nil).

2 Contingent Liabilities not provided for in respect of :

2.1 Disputed amounts of Taxes and duties and other claims not acknowledged as debts :

a) Excise duty : Rs. 132.37 lacs (Previous year Rs. 130.68 lacs)

b) Service Tax : Rs Nil lacs (Previous year : Rs.1.89 lacs)

c) Sales Tax (VAT) : Rs 1.11 lacs (Previous year Rs. Nil)

d) Market Committee Cess: Rs. 9.17 lacs (Previous year Rs. NIL)

e) Disputed Income tax demands consequent to reopening the completed assessments of certain prior years and restricting the claim for deduction u/s 10B of the Income Tax Act, which was appealed against before the Hon. Income Tax Appellate Tribunal, Cochin Bench which is now pending on appeals before the Hon. Income Tax Appellate Tribunal , Cochin Bench, and on which the company is hopeful of full relief- Rs.590.69 lacs (Previous year: Rs. 1803.30 lacs). {Payment there against Rs.401.89 lacs included in Loans & Advances in Schedule No. 5 (Previous year Rs. 401.89 lacs)

2.2 The company has given Corporate Guarantee amounting to Rs.1724 lacs (Previous year Rs.1724 lacs) to a Financial Institution in respect of financial assistance provided by them to GTN Enterprises Ltd and the outstanding amount thereof is Rs.1536 Lacs as on 31st March 2010 (Previous Year - Rs. 1567 Lacs).

3. (i) The amount of foreign exchange difference (net) included in the Net Loss for the year amounts to Rs.30.13 lacs credit. (Previous year Rs. 893.84 lacs debit). This comprises foreign exchange difference in respect of exports Rs 3.32 lacs credit (previous year Rs. 1035.94 lacs debit) and in respect of imports Rs. 26.81 lacs credit (previous year Rs. 142.10 lacs credit) as shown in Schedule 18.

(ii) Foreign exchange difference (Net) adjusted to the cost of respective fixed assets Rs. NIL (Previous year Rs. NIL)

(iii) Outstanding Forward Contracts (not in the nature of derivatives) as on 31st March 2010 which were entered into for hedging exchange risk arising from foreign currency fluctuations related to highly probable future transactions amount to US $ 81.76 lacs (Previous year US$ 79.26 lacs) at average Exchange Rate of Rs. 46.99 / US$ (previous year Rs.46.26/US$). The period covered under these contracts spreads over April 2010 to March 2011. (Previous year April 2009 to January 2010). The average Exchange Rate applicable for the above period based on exchange rate on 31.03.2010 works out to Rs. 45.77 / US$ (Previous year Rs.51.60/US$), resulting in notional gain of Rs. 100.24 lacs (Previous year loss Rs.423.25 lacs).

(iv) Particulars of unhedged Foreign Currency exposures as at 31.03.2010 are given below:

Particulars	As at 31.03.2010				As at 31.03.2009		
Accounts Payable	Currency	Amount in lacs	Exchange Rate Rs	Amount (Rs in lacs)	Amount (USD) in lacs	Exchange Rate Rs	Amount (Rs in lacs)
	USD	3.40	45.14	153.48	6.58	50.97	335.77
	EUR	0.27	60.46	16.32	0.53	67.60	36.08

4. Stock of Raw Materials costing Rs 74.33 Lacs as referred to in Schedule 13 and Goods - In - Progress valued at Rs. 25.47 Lacs as referred to in Schedule 12 represents the Cost Of Inventory damaged on account of Fire. Damaged Inventory is covered under Insurance and the Management is certain that the insurance claim will realize the value of such Raw Materials and Goods-In-Progress at Replacement Cost. Considering prudence and certainty of realization, the Insurance Claim is measured and recognized only to the extent of Cost Of Goods Damaged and shown as “Other Operating Income”, Schedule 10 forming part of Profit & Loss Account. The amount of such damaged stock totalling to Rs 99.80 Lacs is shown under “Other Expenses” in Schedule 18 forming part of Profit & Loss Account.

5. a In the opinion of the Board, 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.

b Balance of certain creditors, debtors, loans and advances given are subject to confirmation and reconciliation, if any. However in the opinion of management, there would not be any material impact on financial statements.

6. Interest on others in Schedule - 15 is net of interest income of Rs 30.10 lacs (Previous Year Rs. 25.90 lacs); tax deducted at source thereon Rs.2.53 lacs (Previous Year Rs. 4.75 lacs).

7. In terms of Accounting Standard - 17, the Company operates materially only in one business Segment viz., cotton yarn and has its production facilities and all other assets located in India. Sales to external customers comprise exports sales of Rs.14142.73 lacs (Previous year Rs. 15936.61 lacs) and local sale of Rs.15237.35 lacs (Previous year Rs. 5632.20 lacs).

NOTES FORMING PART OF ACCOUNTS (contd.)

8 Deferred Tax Liability / (Asset) as at the year end comprise timing differences on account of :

	As at 31.03.2010 (Rs. In lacs)	As at 31.03.2009 (Rs. In lacs)
Depreciation	3853.58	3817.80
Unabsorbed Depreciation	(3382.91)	(3142.46)
Expenses allowable	(17.32)	(17.66)
Net Deferred Tax Liability	453.35	657.69

9. Loans & Advances in the nature of loans to associates/employees (disclosure pursuant to clause 32 of the listing agreement) :

Name	Rate of Interest	Amount outstanding (Rs. in lacs)	
		As on 31.03.2010	Maximum outstanding during the year
Employees (as per the general policy of the Company)	**Nil** (Nil)	**0.12** (0.30)	**0.10** (0.17)

10. Earnings per share:

		2009-10 (Rs. in lacs)	2008-09 (Rs. in lacs)
Numerator :			
Net Profit attributable to the Equity Shareholders		(406.29)	(2603.42)
Denominator :			
Weighted average Equity Shares	**Nos.**	30920000	30920000
Basic and Diluted Earnings Per Share (face value of Rs.10 each)	**Rs.**	(1.31)	(8.42)

11. Disclosure in respect of Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rule 2006:

		Gratuity (Funded) 2009-10 Rs.	Gratuity (Funded) 2008-09 Rs.
A.	**Expense recognised during the year**		
	1 Current Service Cost	818,414	818,414
	2 Interest cost	775,790	622,942
	3 Expected return on plan assets	1,058,605	838,565
	4 Actuarial Loss/(Gain) during the year	797,300	939,283
	5 Expenses recognised in Profit & Loss account	1,332,899	1,542,074
B.	**Actual return on Plan assets**		
	1 Expected return on plan assets	1,058,605	838,565
	2 Actuarial Gain/(Loss) on Plan assets	—	—
	3 Actual return on plan assets	1,058,605	838,565
C.	**Net Asset/(Liability) recognised in the Balance Sheet**		
	1 Present value of the obligation at the year end	12,088,881	9,697,377
	2 Fair Value of plan assets at the year end	14,213,167	11,444,380
	3 Funded status - surplus/(deficit)	2,124,286	1,747,003
	4 Unrecognised past service cost	—	—
	5 Net Asset/(Liability) recognised in the Balance Sheet	2,124,286	1,747,003
D.	**Change in Present value of the Obligation during the year**		
	1 Present value of the obligation as at the beginning of year	96,97,377	7,786,781
	2 Current service cost	818,414	818,414
	3 Interest cost	775,790	622,942
	4 Benefits paid	—	470,043
	5 Actuarial loss/(gain) on obligation	797,300	939,283
	6 Present value of obligation at the year end	12,088,881	9,697,377

NOTES FORMING PART OF ACCOUNTS (contd.)

		Gratuity (Funded) 2009-10 Rs.	Gratuity (Funded) 2008-09 Rs.
E.	**Change in Assets during the year**		
	1 Fair Value of plan assets at the beginning of the year	11,444,380	9,321,192
	2 Expected return on plan assets	1,058,605	838,565
	3 Contributions made	1,710,182	1,754,666
	4 Benefits paid	—	470,043
	5 Actuarial Loss/(gain) on plan assets	—	—
	6 Fair value of plan assets at the year end	14,213,167	11,444,380
F	**Actuarial Assumptions**		
	1 Discount rate	8.00%	8.00%
	2 Salary escalation	4.00%	3.00%
	3 Expected rate of return on plan assets	9.00%	9.00%

12. Disclosure in respect of Related Parties pursuant to Accounting Standard -18:

(a) List of Related Parties:

(As identified by the Management)

Related parties with whom company entered into transactions during the year:

i) Associates

GTN Textiles Limited
Purav Trading Limited
GTN Enterprises Limited

ii) Key Management personnel and Enterprises (having common key Management personnel or their Relatives)

Key Management Personnel

Shri Umang Patodia - Managing Director

Enterprises/Entities having common Key Management Personnel

Perfect Cotton Co.
Patcot & Co
Standard Cotton Corporation

Relatives of Key Management Personnel

Shri B.K. Patodia - Father of Shri Umang Patodia
Shri Ankur Patodia - Brother of Shri Umang Patodia

(b) During the year following transactions were carried out with related parties in the ordinary course of business and at arms length:

(Rs. in lacs)

Nature of Transactions	Associates	Key Management Personnel	Enterprises/ Relatives of Key Management Personnel
1. Sales, Service and other income	3597.74 (1409.62)	— (—)	— (—)
2. Purchase of Goods and Services	4128.21 (3195.28)	— (—)	3609.06 (3306.40)
3. Purchase of Fixed assets	— (40.10)	— (—)	— (—)
4. Sale of Fixed Assets	— (—)	— (—)	— (—)
5. Managerial Remuneration	— (—)	53.28 (58.54)	— (—)
6. Sitting Fees	— (—)	— (—)	0.30 (0.28)

NOTES FORMING PART OF ACCOUNTS (contd.)

(c) Outstanding balances as at 31.03.2010

(Rs. in lacs)

Particulars	Associates	Key Management Personnel	Enterprises/Relatives of Key Management Personnel
1. Amount Payable	1019.71 (1022.69)	— (—)	375.52 (1138.10)
2. Guarantees Provided for	1536 (1567)	— (—)	— (—)
3. Guarantees Received	— (650)	— (—)	— (—)

Notes : No amounts have been provided for / written off during the year.

* Figures in brackets represent previous year's figures.

(d) Details of Material Transactions with Related Party

(a) Sale of cotton to GTN Textiles Limited Rs. 1582.21 Lacs (Previous year Rs. Nil), Sale of yarn to GTN Textiles Limited Rs.668.55 lacs (Previous year Rs. 470.64 Lacs), Processing Charges received from GTN Textiles Limited Rs.4.47 Lacs (Previous year Rs. 29.24 Lacs), Sale of Store Items to GTN Textiles Limited Rs. Nil (Previous Year Rs. 0.21 Lacs). Sale of cotton to GTN Enterprises Limited Rs. 823.15 Lacs (Previous year Rs. 65.19 Lacs), Sale of yarn to GTN Enterprises Limited Rs.413.41 Lacs (Previous year Rs. 746.71 Lacs), Rent received from GTN Enterprises Limited Rs. 1.08 Lacs (Previous year Rs. 0.60 Lacs), Processing Charges received from GTN Enterprises Limited Rs.102.14 Lacs (Previous year Rs. 97.03 Lacs), and

(b) Purchase of cotton from GTN Textiles Limited Rs. 1932.16 Lacs (Previous year Rs. 533.63 Lacs), Purchase of yarn from GTN Textiles Limited Rs. 404.82 Lacs (Previous year Rs. 375.90 Lacs), Purchase of store items from GTN Textiles Limited Rs. 0.76 Lacs (Previous year Rs. Nil), Processing Charges paid to GTN Textiles Limited Rs. 28.09 Lacs (Previous year Rs. 13.12 Lacs), Purchase Of Machinery from GTN Textiles Limited Rs. Nil (Previous Year Rs. 40.10 Lacs). Purchase of cotton from GTN Enterprises Limited Rs.1308.39 Lacs (Previous year Rs. 643.50 Lacs), Purchase of yarn from GTN Enterprises Limited Rs.297.64 Lacs (Previous year Rs. 333.52 Lacs), Processing charges paid to GTN Enterprises Limited Rs.154.91 Lacs (Previous year Rs. 149.57 Lacs), and Purchase of store items from GTN Enterprises Limited Rs. 0.12 Lacs (Previous year Rs. Nil).

13. Additional information pursuant to the provisions of Schedule VI of the Companies Act,1956

(A) Installed Capacity : (As certified by the Management)

Capacity	Installed
Spinning (in spindles)	111024 (111024)
Knitting (in tons)	1008 (1008)

(B) Sales, Production and Stocks

Finished Goods	Unit	Opening stock	Production	Sales	Closing stock
Yarn	(Lac Kgs.) (Lac Kgs.)	11.37 (5.78)	137.50* (100.34)*	144.80 (94.75)	4.07 (11.37)
	(Rs. In lacs) (Rs. In lacs)	2112.29 (956.38)	— (—)	24836.81 (15240.75)	808.69 (2112.29)
Knitted Fabric	(Tons) (Tons)	0.48 (4.27)	322.90 (136.19)	323.38 (139.98)	— (0.48)
	(Rs. In lacs) (Rs. In lacs)	0.84 (5.62)	— —	241.83 (253.20)	— (0.85)

* includes captive consumption for fabrics 1.60 lac Kgs (Previous year 1.51 lac kgs)

NOTES FORMING PART OF ACCOUNTS (contd.)

(C) Raw Materials consumed

Particulars	Year ended 31.03.2010			Year ended 31.03.2009		
	Kgs. (In lacs)	Rs. (In lacs)	% of total consumption Value	Kgs. (In lacs)	Rs. (In lacs)	% of total consumption Value
Cotton Imported *	45.58	3771.73	22	43.28	2938.53	24
Cotton Indigenous	114.73	8255.16	49	91.58	7895.62	65
Yarn Indigenous**	30.17	4826.18	29	11.68	1310.97	11
Total	190.48	16853.07	100	146.54	12145.12	100

* Includes imported cotton purchased indigenously.

** Semi - finished goods (yarn) purchased and consumed.

(D) Value of Imports on CIF basis in respect of

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Raw Material - Cotton	8026.06	1860.97
Stores	92.41	95.02
Capital Goods	NIL	1140.79

(E) Value of Consumption

Stores, Spares, Packing Materials

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Rs. in lacs	%	Rs. in lacs	%
Imported	7.64	2	10.75	2
Indigenous *	433.67	98	502.40	98
Total	441.31	100	513.15	100

* includes HSD value Rs.18.97 lacs (previous year Rs.92.67 lacs) charged to Power & Fuel.

Components [under Repairs & Maintenance -Plant & Machinery]

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Rs. in lacs	%	Rs. in lacs	%
Imported	92.41	41	95.02	44
Indigenous	131.35	59	119.63	56
Total	223.76	100	214.65	100

(F) Traded Goods (Cotton Yarn)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
	Kgs. In lacs	Rs. In lacs	Kgs. in lacs	Rs. in lacs
Opening Stock	—	—	—	—
Purchases	16.10	2251.62	24.47	3087.93
Sales	16.10	2282.24	24.47	3270.84
Closing Stock	—	—	—	—

(G) Expenditure in Foreign Currency (on remittance basis)

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Agents' Commission	253.08	128.82
Interest	NIL	NIL
Others	34.17	58.88

(H) Earnings in Foreign Exchange

FOB Value of Exports (Rs. in lacs)	13834.55	15486.71

NOTES FORMING PART OF ACCOUNTS (contd.)

(I) Amount Remitted in Foreign Currency (On account of Dividend to Foreign Promoter)

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Number of Shareholder	1	1
Number of Shares held	3000000	3000000
Amount remitted (Rs. In lacs) Remittance pertaining to financial year	NIL	NIL

14. REMUNERATION TO MANAGING DIRECTOR:

a)	Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
	Salaries	39.96	44.40
	Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	12.53	13.98
	Perquisites	0.79	0.16
	Total	53.28	58.54

b) As no commission is being paid to the Managing Director, computation under Section 198/349 of the Companies Act has not been disclosed

15. AUDITORS' REMUNERATION:

Particulars	Year ended 31.03.2010 (Rs. in lacs)	Year ended 31.03.2009 (Rs. in lacs)
Audit fees	1.10	0.50
Tax Audit fees	0.11	0.07
Certification charges	0.30	0.23
Out of Pocket expenses	0.28	0.12
Sub-total	1.79	0.92
Cost Audit fees	0.58	0.58
Total	2.37	1.50

16. Hire Purchase Loans : Disclosure as required in AS-19 Leases

Particulars	Total minimum payments outstanding (Rs.in Lacs)	Future interest on outstanding (Rs.in Lacs)	Present Value of minimum payments (Rs.in Lacs)
1. Due within one year	3.44 (8.69)	0.09 (0.68)	3.35 (8.01)
2. Between one year to five years	— (3.54)	— (0.13)	— (3.41)
Total	3.44 (12.23)	0.09 (0.81)	3.35 (11.42)

17. Based on information available with the Company regarding the status of suppliers, defined under Micro, Small and Medium Enterprises Development Act, 2006 and payments to them as specified under the notification GSR 719 (E) dated 16th November, 2007 are as follows:

		2009-10	2008-09
a.	The principal amount and interest due thereon remaining unpaid as on the Balance sheet date.	Rs.Nil	Rs.Nil
b.	Interest paid along with the amount of the payment during the year	Rs.Nil	Rs.Nil
c.	Interest due and payable but without adding the interest specified in the abovementioned act.	Rs.Nil	Rs.Nil
d.	Interest accrued and remaining unpaid at the end of the year.	Rs.Nil	Rs.Nil
e.	Amount of interest remaining due and payable in subsequent years, and such interest actually paid to and deductible expenditure under section 23 of the said act.	Rs.Nil	Rs.Nil

18. Previous year's figures have been regrouped and rearranged wherever necessary so as to make them comparable with those of the current year.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

As per notification dated 15.05.95 issued by Department of Company Affairs, the additional information under para IV is as under:

(Rs. in lacs)

(a)	**Registration details**		
	CIN	:	L18101KL1991PLC006194
	State code	:	09
	Date of Balance Sheet	:	March 31,2010
(b)	**Capital raised during the period**		
	Public Issue	:	Nil
	Rights Issue	:	Nil
	Bonus Issue	:	Nil
	Private Placement	:	450
(c)	**Position of mobilisation and deployment of funds**		
	Total Liabilities	:	34,336
	Total Assets	:	34,336
	Source of funds		
	Paid up Capital	:	3,542
	Reserves and Surplus	:	1,468
	Secured Loans	:	28,848
	Unsecured Loans	:	25
	Deferred Tax Liability	:	453
	Application of funds		
	Net Fixed Assets	:	24,441
	Investments	:	0.32
	Net Current Assets	:	7,391
	Misc. Expenditure	:	NIL
	Profit & Loss Account	:	2,504
(d)	**Performance of the Company**		
	Turnover	:	29,115
	Other Income	:	157
	Total Expenditure	:	29,882
	Profit/(Loss) Before Tax	:	(611)
	Profit/(Loss) After Tax	:	(406)
	Earnings Per Share (in Rs.)	:	(1.31)
	Dividend Rate (%)	:	NIL
(e)	**Generic names of three principal products/services of the Company**		
	Item Code No. (ITC Code)	:	52.05
	Product Description	:	COTTON YARN/PROCESSED YARN
	Item Code No. (ITC Code)	:	60.20
	Product Description	:	KNITTED FABRIC

As per our report of even date attached

For **M.S. JAGANNATHAN & VISVANATHAN**
Chartered Accountants

R. MUGUNTHAN
Partner
M. No. 21397

For and on behalf of the Board

B K PATODIA Chairman
N K BAFNA Director
B L SINGHAL Director
R RAJAGOPALAN Director
RAJEN K. MARIWALA Director
T PIUS JOSEPH Director
K OBA Director
UMANG PATODIA Managing Director

Place: Kochi
Date : 13th May, 2010

ABHILASH N.A
Deputy Company Secretary

Proxy

PATSPIN INDIA LIMITED

Registered Office: 3rd Floor, Palal Towers, M.G. Road, Ravipuram, Kochi 682 016

NINETEENTH ANNUAL GENERAL MEETING

Folio No./Client ID No. : .....

No. of Shares : .....

I / We ..... of ..... in the District of ..... being Member(s) of the above named Company, hereby appoint .... of ..... or failing him ..... of .... or failing him ..... of ..... in the District of ..... as my / our proxy to attend and vote for me / us on my / our behalf at the **NINETEENTH ANNUAL GENERAL MEETING** of the Company to be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi 682 016 on Saturday, 31st July, 2009 at 10.30 a.m or at any adjournment thereof.

Please affix Re.1/- Revenue Stamp

Signed this ..... day of ....., 2010.

Attendance Slip

PATSPIN INDIA LIMITED

Registered Office: 3rd Floor, Palal Towers, M.G. Road, Ravipuram, Kochi 682 016

NINETEENTH ANNUAL GENERAL MEETING

Folio No./Client ID No. : .....

No. of Shares : .....

Full Name of the Member attending : .....

(In BLOCK letters)

Full Name of the first joint-holder : .....

(To be filled in if first named joint-holder does not attend the meeting)

Full Name of Proxy : .....

(To be filled in by the Proxy attending instead of the Member)

I, hereby record my presence at the **NINETEENTH ANNUAL GENERAL MEETING** of the Company to be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi 682 016 on Saturday, 31st July, 2009 at 10.30 a.m.

.....

Member's / Proxy's Signature

Note : Members / Joint Members / Proxies are requested to bring the attendance slip with them; duly completed when they come to the meeting and handover them at the gate, affixing signature(s) on them. Duplicate slips will not be issued at the entrance of the Auditorium.

BOOK POST

PATSPIN

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