

ANNUAL REPORT 2007-2008



SURAT TEXTILE MILLS LIMITED

BOARD OF DIRECTORS

M. R. Momaya	Wholetime Director
S. M. Vig	Director
Y. C. Papaiya	Director
Vishwanath Mathur (Up to May 15, 2008)	UTI Nominee
C. K. Koshy (w.e.f. Feb. 20, 2008)	Special Director (BIFR)

REGISTRARS & TRANSFER AGENTS

MCS Limited,
 Neelam Apartment,
 88 Sampatrao Colony, Alkapuri,
 Baroda 390 007.
 Tel. No. (0265) 2339397, 2314757
 Fax No. (0265) 2341639.
 E-mail: mcsbaroda@yahoo.com

AUDITORS

Messrs Natvarlal Vepari & Co.,
 Chartered Accountants

BANKERS

Dena Bank
 Bank of Baroda

REGISTERED OFFICE

Garden Mills' Complex,
 Sahara Gate,
 Surat 395 010

MANUFACTURING FACILITIES

- i. Varachha Road, Surat 395006.
 Tel.: (0261) 2548444, 2551192
 Fax: (0261) 2553346
- ii. Village Vareli,
 Taluka Palsana,
 Dist. Surat 394327
 Tel.No. (02622) 276046.
- iii. Village Jolva, Taluka Palsana,
 Dist. Surat 394305
 Tel.No.(02622) 273287, 273289
- iv. Survey No.285, Village Khadoli,
 Silvassa-Khanvel Road,
 Silvassa (DNH).
 Tel. No.(0260) 2699009

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("Surat Textile Mills Limited" formerly known as "Garden Cottons & Yarns Ltd.")

**62nd Annual General Meeting on Wednesday, 24th September, 2008 at 10.30 a.m.
 at the Registered Office of the Company.**

NOTICE

Notice is hereby given that the Sixty-second Annual General Meeting of the Members of **SURAT TEXTILE MILLS LIMITED** will be held on Wednesday, **the 24th September, 2008** at 10.30 a.m. at the Registered Office of the Company at **Garden Mills' Complex, Sahara Gate, Surat 395010**, to transact the following businesses:

1. To consider and adopt the audited Balance Sheet as at March 31, 2008, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M. R. Momaya, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration.

By Order of the Board of Directors

M. R. Momaya
Wholetime Director

Surat, 30th July, 2008.

Notes:

- (1) **A member entitled to attend and vote at the above 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 the proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.**
- (2) The Register of members and Share Transfer Books of the Company will remain closed from Thursday, 18th September, 2008 to Wednesday, 24th September 2008 (both days inclusive).
- (3) Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Company's Registrar & Transfer Agents, M/s MCS Limited, for consolidation into a single folio.
- (4) The Company has transferred all unpaid/unclaimed dividends declared upto the financial year ended March 31, 1995 to the General Revenue Account of the Central Government as required under the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 (the Rules). Members who have not so far claimed or collected their dividends declared up to the aforesaid financial year are requested to claim such dividends from the Registrar of Companies - Gujarat, Opp. Rupal Park Flats, Near Ankur Bus Stand, Naranpura, Ahmedabad 380 013.
- (5) Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year 1995-96 to the **Investor Education and Protection Fund** (the IEPF) established by the Central Government.
- (6) Members, who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
- (7) Corporate Members intending to send their authorised representative to attend the Meeting are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.
- (8) As per provisions of the Companies Act, 1956, facility for making nominations is now available to Individuals, holding shares in the Company. The Nomination Form-2B, prescribed by the Government for the purpose, can be obtained from the Share Department or the Share Transfer Agent of the Company.
- (9) **Re-appointment of Director:**
At the ensuing Annual General Meeting, Shri M. R. Momaya retires by rotation and being eligible, offers himself for re-appointment.
As per the requirement of Clause 49(IV)(G)(i) of the Listing Agreement with Stock Exchanges, the particulars of Directors retiring by rotation and eligible for reappointment are given in the Corporate Governance Section of the Annual Report.

By Order of the Board of Directors

M. R. Momaya
Wholetime Director

Surat, 30th July, 2008

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 62nd Annual Report together with the Audited Statements of Accounts of the Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

	(Rs. in Lacs)	
	2007-08	2006-07
Gross Sales and Job Charges Income	9547.39	10659.31
Profit before interest, depreciation and tax	339.91	318.03
Financial Charges (Net)	125.09	181.01
Profit before Depreciation and Tax	214.82	137.02
Depreciation	183.88	183.20
Profit / (Loss) before Tax	30.94	(46.18)
Provision for Tax	0.90	0.90
Net Profit / (Loss) for the year	30.04	(47.08)

DIVIDEND

In view of the carried forward losses, the Directors express their inability to recommend any dividend for the year.

REVIEW OF OPERATIONS

During the year under review, improvement in product mix and optimum utilization of production capacity including utilization for jobwork activity, has resulted in better operating performance of the Company. During the year Chips production grew from 16971 MT to 22585 MT, registering a growth of about 33%. The production of PFY also increased from 7319 MT to 7661 MT. Our sale of Chips has gone up from 438 MT to 505 MT whereas PFY sale was at 7352 MT for the year as compared to 7546 MT for the previous year.

The operating profit was marginally higher from Rs.318.03 lacs in 2006-07 to Rs.339.91 lacs in 2007-08. Profit before Depreciation stood at Rs.214.82 lacs compared to Rs.137.02 lacs. Overall interest cost was lower, largely due to infusion of non-interest bearing funds by the promoters.

Despite the adverse market conditions and increase in input costs, your Company has achieved improved capacity utilization and increased productivity.

Under the present scenario the Company is focusing on increased productivity through optimal utilization of production capacity and reduction in operating costs.

APPROVAL OF REHABILITATION SCHEME

The Hon'ble Board for Industrial and Financial Reconstruction (BIFR) has sanctioned the Rehabilitation Scheme of the Company under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 vide its order dated 22nd January, 2008 (hereinafter referred to as the Sanctioned Scheme or "SS") and appointed IDBI as Monitoring Agency (MA) on behalf of the Board to oversee the implementation of scheme.

The scheme inter alia provided for a total payment of Rs.40.83 crores to SASF / UTI towards full and final settlement of their liabilities in accordance with the terms of One Time Settlement (OTS) package, infusion of additional working capital of Rs.3.67 crores by the promoters, write-down of the existing capital of the Company u/s 18(2)(f) of SICA by 90%, issue of fresh equity share capital at par on a preferential basis in favour of promoters / strategic investors for an amount of Rs.15.50 crores in order to reduce further interest cost and fresh infusion of funds by way of interest-free soft loan of Rs.29.00 crores by the promoters for financing the revival scheme.

The dues of all the secured creditors have been settled in accordance with the terms of the OTS package and the promoters have infused an aggregate amount of Rs.44.50 crores by way of equity and soft loans.

IMPLEMENTATION OF SANCTIONED REHABILITATION SCHEME

Your Company has taken necessary steps to implement the said scheme, which are briefly enumerated herein below:

1. The Sanctioned Scheme *inter alia* provided for write-down of the existing equity capital of the Company under section 18(2)(f) of Sick Industrial Companies Act, 1985 (SICA) by 90%.

Upon such reduction, the face value and paid up value of equity shares of the Company stands reduced from Rs.10/- per equity share to Re.1 per equity share. The Company has issued / credited to all the eligible shareholders, fresh share certificates of the face value of Re.1 each credited as fully paid up for every one equity share of Rs.10/- each fully paid up held by them as on the record date fixed for the purpose.

The Authorised Share Capital of the Company, therefore stands altered at Rs.7500 lacs divided into 750000000 equity shares of Re.1 each and the relevant clause of Memorandum & Association of the Company has been substituted to give effect of reduction of capital.

2. In accordance with the terms of One Time Settlement (OTS), the Company has paid off Rs.40.83 crores to the secured lenders towards the aggregate liability (principal and interest) amounting to Rs.81.77 crores. As per the approved rehabilitation scheme, the dues of the secured creditors have been completely settled and the secured creditors have waived off the aggregate balance of Rs.40.94 crores of principal, interest, penal interest and other charges upon receipt of payment of OTS amount. The promoters have contributed Rs.3.67 crores towards additional working capital.
3. The Company has issued fresh equity share capital at par on a preferential basis in favour of the promoters / promoter groups for an amount aggregating to Rs.15.50 crores in order to reduce further interest costs. In addition, the promoters of the Company have brought in Rs.29.00 crores by way of a soft loan to the Company.

DIRECTORS' REPORT (Contd.)

Accordingly, during the year under review, your Company's paid-up equity share capital has increased to Rs.2220.64 lacs comprising of 222064440 Equity Shares of Rs.1 each fully paid-up.

MANAGEMENT DISCUSSION & ANALYSIS**Industry Scenario and Outlook**

The production growth in case of Polyester Filament Yarn was low due to sluggish demand. In Polyester Chips, the domestic supply has increased and outstrips demand. This has put pressure on sales and margins. The raw material prices are expected to go up and this is likely to exert pressure on margins. The Company hopes to counter this effect by improved product mix.

Inflation continued to play a vital role in the economic growth. The increase in prices of oil, steel and basic metals has been the major cause.

Your directors are of the view that the Company's performance in the current year would be largely dependent upon the industry scenario in the coming months.

On account of newer capacities of POY and Chips coming into operation in the domestic market in recent times, coupled with competition arising out of cheap imports, the domestic supply position in the Polyester Yarn and Chips segment is likely to be competitive and margins will remain under pressure.

Opportunities, Threats & Challenges

The substantial expansion in production capacity of PFY by the major producers and with the rationalization of import duty structure, the PFY prices are expected to remain under pressure.

The Company perceives threat from imports and consequent pressure on domestic prices, apart from the increase in cost of raw materials and other inputs due to spurt in crude oil prices.

Further, any unforeseen slowdowns affecting the growth of the Indian economy, may adversely affect the investments in the textile sector.

The Company is facing challenge in terms of higher production cost due to high power cost and other inputs. It is expected that with the better working capital management, the Company would be able to generate better cash flows.

Internal Control

The Company has proper and adequate systems of internal control. Regular Internal Audits and Checks are carried out and the management also constantly reviews the internal control systems and procedures to ensure orderly and efficient conduct of the Business. The Internal Auditors periodically interact with the Audit Committee of the Board of Directors of the Company to discuss various internal control / internal audit issues.

Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions

and expectation of future events. Actual results could, however, differ materially from those expressed or implied.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

DIRECTORATE

Mr. M. R. Momaya retires from the Board by rotation at the conclusion of the ensuing annual general meeting and offers himself for re-appointment.

During the year under review, Board for Industrial and Financial Reconstruction (BIFR) nominated Mr. C. K. Koshy as a Special Director on the Board of Directors of the Company with effect from 20th February, 2008.

On settlement of the restructured dues, the Administrator of the Specified Undertaking of Unit Trust of India (SUUTI) (erstwhile Unit Trust of India) withdrew the nomination of Mr. Vishwanath Mathur from the Board of Directors of the Company with effect from 15th May, 2008. The Board places on record its sincere appreciation of the guidance and co-operation extended by Mr. Vishwanath Mathur during his tenure as Director of the Company.

The information on the particulars of Directors seeking re-appointment as stipulated under Clause 49 of Listing Agreements with the Stock Exchanges, are provided in the Report on Corporate Governance forming part of the Annual Report.

CHANGE OF REGISTRARS & TRANSFER AGENTS

The Board of Directors of the Company have approved the proposal for change of Registrars & Transfer Agents from M/s MCS Limited to Karvy Computershare Private Limited as the new Share Registrar and Transfer Agents, subject to execution of necessary agreements. The Company is also in the process of changing the Registrars with the Depositories. Till such time, the electronic connectivity is shifted to the new R&T Agent, the existing R&T Agent i.e. M/s MCS Limited shall continue to provide electronic connectivity.

FIXED DEPOSITS

The Company has not accepted any public deposits within the meaning of Section 58A of the Companies Act, 1956 and, as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

ENERGY CONVERSION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, are provided in the annexure forming part of this report.

PARTICULARS OF EMPLOYEES

None of the employees of the Company are in receipt of remuneration prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' REPORT (Contd.)**INDUSTRIAL RELATIONS**

Industrial relations at all the plants were cordial. Learning progress are organised on a regular basis at all locations to develop the competence of employees at all levels for meeting present and future challenges.

LISTING AT STOCK EXCHANGES

Pursuant to the provisions of reduction of capital forming part of the Rehabilitation Scheme sanctioned by the BIFR, the Company has issued new Certificates of Re.1 each fully paid-up, without surrender of the old equity share Certificates of Rs.10/- each fully paid-up in respect of shares held in physical form. Accordingly, the old share certificates stand cancelled.

Further, to give effect of reduction of share capital as on 'Record Date', the dealing in the Equity Shares of the Company at the stock exchanges was suspended with effect from February 21, 2008. Bombay Stock Exchange Limited (BSE) and Ahmedabad Stock Exchange Limited (ASE) granted their approval for listing of 6,70,64,440 Equity shares of Re.1 each fully paid-up, with effect from June 10, 2008 and July 8, 2008 respectively.

The application submitted to the Stock Exchanges for listing of additional 155000000 Equity Shares of Re.1 each fully paid-up issued and allotted for cash at par on preferential basis to promoter and promoter group is being appraised.

AUDITORS & AUDITORS' REPORT

You are requested to appoint auditors for the current year and to fix their remuneration. The retiring auditors Messrs Natvarlal Vepari & Co., Chartered Accountants, are eligible and offer themselves for re-appointment. As required under the provisions of the Section 224(1B) of the Companies Act, 1956, the Company has obtained a written confirmation from Messrs Natvarlal Vepari & Co. to the effect that their appointment, if made, would be in conformity with the limits specified in the Section.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

COST AUDITORS

The Company has appointed qualified Cost Auditors, in terms of the directives of the Central Government under section 233B of the Companies Act, 1956, for conducting the cost audit for the financial year ended March 31, 2008.

CASH FLOW ANALYSIS

The Cash Flow Statement for the year under reference in terms of clause 32 of the Listing Agreement with the stock exchanges forms part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- (1) in the preparation of the Annual Accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- (2) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the profit of the Company for the year ended on that date;
- (3) the Directors 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 the Company and for preventing and detecting fraud and other irregularities; and
- (4) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

CORPORATE GOVERNANCE

Your Company complies with all the mandatory requirements pertaining to Corporate Governance, in terms of clause 49 of the Listing Agreement with the Stock Exchanges. A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, forms part of the annual report. Certificate from the Auditors of the Company, confirming compliance of conditions of Corporate Governance is annexed to this Report.

ACKNOWLEDGEMENT

Your Directors commend the continuing commitment and dedication of employees at all levels. The Directors wish to take this opportunity to express their deep sense of gratitude to the banks, financial institutions, Central and State Governments, shareholders and business associates for their co-operation and support and look forward to their continued support in future.

By Order of the Board of Directors

Surat, 30th July, 2008.

M. R. Momaya
Wholetime Director

ANNEXURE TO THE DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY:

- a. Measures taken for conservation of energy:
 - Energy conservation is an ongoing process in our organisation. Continuous monitoring, planning, development and modifications for energy conservation are done at the plants.

- Energy Audit is also being carried out by external agencies.
- b. Impact of above measures for reduction of energy consumption and consequent impact on the cost of production:
 - Reduction of fuel / electricity consumption and power savings.
- c. Total energy consumption and energy consumption per unit of production as per Form "A" as per annexure to the Rules.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

FORM "A"			
Form for Disclosure of Particulars with respect to Conservation of Energy.			
		<u>2007-08</u>	<u>2006-07</u>
A	Power And Fuel Consumption		
1.	Electricity		
a.	Purchased Unit in lacs	172.14	165.86
	Total amount Rs. in Lacs.	1053.48	938.75
	Rate / Unit Rs.	6.12	5.66
b.	Own Generation		
i.	Through Diesel Generator		
	Units in lacs	NIL	NIL
	Units per Ltr. of Diesel Oil	NIL	NIL
	Unit per SCM of Gas Consumption	NIL	NIL
	Cost/Unit Rs.	NIL	NIL
ii.	Through Steam turbine/Generator		
	Units	NIL	NIL
	Units per Ltr. Of fuel oil / gas	NIL	NIL
	Cost/Unit Rs.	NIL	NIL
2.	Coal/Lignite for Generation of Steam		
	Quantity (M.T.)	NIL	NIL
	Total Cost Rs. in lacs	NIL	NIL
	Average rate Rs./M.T.	NIL	NIL
3.	Furnace Oil		
	Quantity (K.Ltrs.)	115	245
	Total Amount Rs. in Lacs.	21.92	46.77
	Average rate Rs./ Ltr.	19.11	19.09
4.	Others/Internal generation		
	Quantity	NIL	NIL
	Total Cost	NIL	NIL
	Rate / Unit Rs.	NIL	NIL
B	Consumption Per Unit of Production		
	Product Details	SPUN YARN	SPUN YARN
	Unit	Kg.	Kg.
	Electricity (Unit) *	4.38	5.23
	Product Details	PFY	PFY
	Unit	Kg.	Kg.
	Electricity (Unit) *	1.12	1.15
	Product Details	CHIPS	CHIPS
	Unit	Kg.	Kg.
	Electricity (Unit) *	0.18	0.18
	Furnace Oil	NIL	NIL
	Coal / Lignite (Kg.)	NIL	NIL
	Others	NIL	NIL

* The variation in consumption of Electricity per unit of production is due to changes in product mix.

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Research and Development

1. Specific areas in which R & D carried out by the Company:
 - The Company has no specific Research & Development Department however, the Company has quality control department to check the quality of different products manufactured.
2. Benefits derived as a result of the above efforts:
 - The Company has been continuously improving the quality of its existing products and also been able to reduce the cost of production.
3. Future Plan of Action
 - Management is committed to strengthen quality control department, further to improve its competitiveness in times to come.
4. Expenditure on R & D:
 - The Company, from time to time incurs capital expenditure, exposes itself to better technology and keeps itself abreast of technological improvements.

Technology absorption, adaptation and innovation

1. Efforts in brief, made towards absorption, adaptation and innovation:
 - Modifications of process and products are carried out from time to time to suit market requirements and to improve operational efficiency.
2. Benefits derived as a result of the above efforts:
 - Better quality of yarn will be produced at low costs.
3. Particulars of Technology Imported:
 - The technology used by the Company is indigenously developed and no technology has been imported.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Details relating to foreign exchange earnings and outgo are given in Note No.18 of Schedule 12 annexed to the accounts.

By Order of the Board of Directors

Surat, 30th July, 2008.

M. R. Momaya
Wholtime Director

CORPORATE GOVERNANCE REPORT

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company's corporate governance policy is the ideology of transparency and openness in the effective working of the management and the Board. Your Company strongly believes in fair, efficient and transparent business operations, fairness to all stakeholders in the Company, proper disclosure of relevant financial and non financial information and enhancing shareholder value on a continuing basis.

Your Company confirms the compliance of corporate governance as contained in clause 49 of the Listing Agreement, the details of which are given below.

II. BOARD OF DIRECTORS:

(a) Composition of the Board:

The composition of and the category of Directors on the Board of the Company as at March 31, 2008 were as under.

The Board of Directors consists of professionals drawn from diverse fields. The present strength of the Board of Directors of the Company is five comprising one Executive Director, two Non-Executive Directors and two nominee from institutions.

Name of Director	Category of Directorship	Directorship in other companies *	No. of other Board / Committee/s of which he is a member	No. of other Board / Committee/s of which he is a Chairperson
Mr. M.R. Momaya	Executive Director	None	None	None
Mr. S.M. Vig	Non-executive, Independent	None	None	None
Mr. Y.C. Papaiya	Non-executive, Independent	None	None	None
Mr. Vishwa Nath Mathur **	Nominee Director	3	None	None
Mr. C. K. Koshy ***	Special Director (BIFR)	2	None	None

* Excludes Directorships in Indian Private Ltd. companies & foreign companies & membership of Managing committees of various bodies.

** Nomination withdrawn by Administrator of the specified undertaking of the Unit Trust of India (erstwhile Unit Trust of India (UTI) with effect from May 15, 2008.

*** Inducted as Special Director on the Board by Board for Industrial and Financial Reconstruction (BIFR) with effect from February 20, 2008

(b) Board Procedure

Minimum four Board Meetings are held in each year, which are prescheduled. Apart from the four prescheduled Board Meetings, additional Board Meetings can be convened by giving appropriate notice to address the specific needs of the Company. In case of business exigencies or urgency of matter, resolutions are passed by circulation.

Agenda and notes on agenda are circulated to the Directors, in advance, in the defined Agenda format. All material information is incorporated in the Agenda Papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same is tabled before the meeting with specific reference to this effect in the Agenda.

(c) Attendance of each Director at the Board Meetings and the last Annual General Meeting.

During the year ended on 31st March, 2008, the Board of Directors had 5 meetings. These were held on 23rd May, 2007, 26th June, 2007, 27th July, 2007, 30th October, 2007 and 30th January, 2008.

The last Annual General Meeting (AGM) was held on 14th August, 2007.

The attendance record of the Directors at the Board Meeting during the year and at the last AGM is as under:

Name of Director	No. of Meetings attended during 2007-2008
Mr. M.R. Momaya	04
Mr. S.M. Vig	03
Mr. Y.C. Papaiya	05
Mr. Vishwa Nath Mathur	03

Mr. M. R. Momaya and Mr. S. M. Vig attended the Annual General Meeting of the Company held on 14th August, 2007.

III. AUDIT COMMITTEE:

The Board of Directors has constituted an Audit Committee of Directors to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement with Stock Exchanges and other relevant statutory/regulatory provisions. The Audit Committee of Directors consists of three Non-executive Directors viz.; Mr. Y. C. Papaiya as Chairman of the Committee and Mr. S. M. Vig and Mr. Vishwa Nath Mathur as members.

CORPORATE GOVERNANCE REPORT (Contd.)

Besides the Committee Members, representative from various divisions of the Company, internal auditors and Secretary who is acting as Secretary to the Audit Committee were also present at the meetings to answer the queries raised by the committee members.

The Audit Committee met five times during the financial year 2007-2008 on 23.05.2007, 25.06.2007, 26.07.2007, 30.10.2007 and 30.01.2008. Mr. Y. C. Papaiya and Mr. S. M. Vig were present for each of the five meetings.

IV. REMUNERATION OF DIRECTORS:

The remuneration committee consists of three Non-executive Directors viz; Mr. Y. C. Papaiya, Mr. S. M. Vig and Mr. Vishwa Nath Mathur, as members. The terms of reference of the Remuneration Committee in brief pertain to determining the Company's policy on and approve specific remuneration packages for executive directors after taking into the account financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, interest of the company and shareholders etc.

The Remuneration Committee did not meet during the year, since the remuneration payable to Mr. M. R. Momaya, the only Executive Director on the Board of the Company, has already been approved for a five year term with effect from 11th December, 2000. The same was approved by the members in the Annual General Meeting held on 29th December, 2001, however in terms Section II of Part II of Schedule XIII no remuneration has been paid to Mr. M. R. Momaya for the year 2007-08.

The Company pays sitting fee to all Directors other than the Whole-time Director, for attending each meeting of the Board and/or Committee thereof. Sitting fees paid for the year ended 31st March, 2008, are as follows:

Mr. S. M. Vig Rs.30,000/-, Mr. Y. C. Papaiya Rs.30,000/-, Mr. Vishwa Nath Mathur Rs.3,000/-.

V. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

The members of the Shareholders' / Investors' Grievance Committee of Directors are Non-Executive Directors viz. Mr. Y. C. Papaiya and Mr. S. M. Vig. The Committee is headed by Mr. Y. C. Papaiya and the Secretary has been designated as the compliance officer.

During the year 26 complaints were received from Shareholders which were duly replied to / resolved. No complaint was pending as on 31st March, 2008.

VI. GENERAL BODY MEETINGS:

Location and time where last three Annual General Meetings were held:

Year	Location	Date	Time
2004-05	Garden Mills Complex, Sahara Gate, Surat.	06/09/2005	10.30 a.m.
2005-06	Garden Mills Complex, Sahara Gate, Surat.	31/08/2006	10.30 a.m.
2006-07	Garden Mills Complex, Sahara Gate, Surat.	14/08/2007	10.30 a.m.

No resolution was required to be passed by means of a postal ballot during the last year. Similarly, there is no resolution, which is required to be put through postal ballot at this Annual General Meeting.

VII. CODE OF CONDUCT:

The Company is committed to conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. The Company believes that a good corporate governance structure would not only encourage value creation but also provides accountability and control systems commensurate with the risks involved.

A declaration by the Wholetime Director affirming compliance of Board Members and senior management personnel to the code is also annexed herewith.

VIII. POLICY ON INSIDER TRADING:

The Company has adopted a Code of Conduct for Prevention of Insider Trading for its management, staff and directors. The Code lays down guidelines and procedures to be followed and disclosures to be made by Directors, top level executives and staff whilst dealing in shares.

IX. COMPLIANCE CERTIFICATE BY AUDITORS:

The Company has obtained a certificate from the Statutory Auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49 which is annexed herewith.

Code of Internal Procedure & Conduct under The SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, is in force since 20th February, 2002.

X. DISCLOSURES:

- (a) There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their Subsidiaries or relatives conflicting with the Company's interest. Suitable disclosure as required by the Accounting Standard (AS 18) has been made in the annual reports.

CORPORATE GOVERNANCE REPORT (Contd.)

- (b) There are no pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company which has potential conflict with the interest of the Company at large.
- (c) No penalties or strictures have been 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.

XI. MEANS OF COMMUNICATION:

- (a) The Quarterly (Unaudited) Financial Results are sent to Stock Exchanges where the Company's shares are listed and are normally published in Indian Express (English), Baroda Edition, Gujarat Mitra (Vernacular), Surat Edition.
- (b) Management Discussion and Analysis report forms part of the Directors Report.

XII. EDIFAR/CFDS FILING:

As per the requirements of Clause 51/newly inserted Clause 52 of the Listing Agreement, all the data relating to quarterly financial results, shareholding pattern etc. have been electronically filed on the EDIFAR website, www.sebiedifar.nic.in / Corporate Filing and Dissemination System (CFDS) portal, www.corpfilng.co.in.

XII. GENERAL SHAREHOLDER INFORMATION:**(a) 62nd Annual General Meeting:**

Date	: Wednesday, 24th September 2008.
Time	: 10:30 a.m.
Venue	: Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395010.

(b) Financial Calendar (2008-09) :

Results for the quarter ending June 30, 2008	: July, 2008.
Results for the quarter ending September 30, 2008	: October, 2008
Results for the quarter ending December 31, 2008	: January, 2009
Results for the year ending March 31, 2009	: April/June, 2009.

(c) Book closure dates

: Thursday, 18th September, 2008 to Wednesday, 24th September 2008. (Both days inclusive)

(d) Listing on Stock Exchanges

1. Ahmedabad Stock Exchange Limited, Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad 380015.	: 58110
2. Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	: 30185 (Physical Segment) 530185 (Demat Segment)
Demat ISIN for NSDL & CDSL.	: INE 936A01025

(e) Annual Listing Fees

: The Company has paid the Annual Listing fees to the above stock exchanges for the financial year 2008-2009.

(f) Market Price Data

The High/Low market price of the shares during the year 2007-08 at the Bombay Stock Exchange (BSE) are as under.

Month	High (Rs.)	Low (Rs.)
April, 2007	4.40	3.60
May, 2007	4.98	3.66
June, 2007	4.14	3.51
July, 2007	4.35	3.36
August, 2007	5.31	3.41
September, 2007	5.61	4.71
October, 2007	5.22	3.71
November, 2007	5.62	3.65
December, 2007	11.30	4.70
January, 2008	15.12	6.06
February, 2008	7.33	5.16
March, 2008	Nil *	Nil

* In view of the relisting of Equity Shares of Rs.1/- each in process, the trading remained suspended during the month.

CORPORATE GOVERNANCE REPORT (Contd.)**(g) Registrar and Share Transfer Agents:**

MCS Limited,
Neelam Apartment,
88 Sampatrao Colony, Alkapuri,
Baroda 390 007.
Tel. No. (0265) 2339397, 2314757
Fax No. (0265) 2341639.
E-mail: mcsbaroda@yahoo.com

(h) Share Transfer System:

Share Transfers in physical form are normally processed within a period of 21 days of receipt of the documents, if documents are found in order. Shares under objection are returned within two weeks.

(i) Compliance Certificate:

In accordance with the clause 49 of Listing Agreement with Stock Exchanges, Compliance Certificate for Corporate Governance obtained from the Statutory Auditors of the Company is annexed herewith.

(j) Distribution of shareholding as on 31st March 2008:

Sr.No.	Category of Members	No. of Shares held	% of total Shares
1.	Promoters.	172124315	77.51
2.	Indian Public.	16624000	7.49
3.	Banks, Financial Institutions & Insurance Companies.	30715480	13.83
4.	NRI's / OCB's.	92391	0.04
5.	Bodies Corporate.	2468624	1.11
6.	Others (NSDL+CDSL) Clearing Members	39630	0.02
	TOTAL	222064440	100.00

(k) Categorywise Summary of Holders / Holdings as on 31st March, 2008:

No. of Equity Shares	No. of Shareholders	% of total Shareholders	No. of Shares held	% of total Shares
1 - 5000	40509	98.79	11147368	5.02
5001 - 10000	269	0.66	2102498	0.95
10001 - 20000	123	0.30	1779101	0.80
20001 - 30000	45	0.11	1130607	0.51
30001 - 40000	14	0.03	489578	0.22
40001 - 50000	4	0.01	185243	0.08
50001 - 100000	18	0.04	1220255	0.55
100001 & above	22	0.06	204009790	91.87
TOTAL	41004	100.00	222064440	100.00

(l) Depository Services:

The Equity Shares of your company are traded in compulsory dematerialised form by all the investors. The Company has entered into agreements with both the depositories viz., National Securities Depositories Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), enabling the investors to hold shares of the Company in electronic form through the depository of their choice.

(m) Dematerialisation of Shares:

The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for demat facility. Trading in Equity Shares of the Company is permitted only in dematerialization form. 63201155 Equity Shares aggregating to 28.46% of the total Equity Capital is held in dematerialized form as on 31.03.2008 of which 26.43% (58698036 Equity Shares) of total equity capital is held in NSDL and 2.03% (4503119 Equity Shares) of total equity capital is held in CDSL as on 31.03.2008.

CORPORATE GOVERNANCE REPORT (Contd.)**(n) Nomination:**

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in case of death of the registered shareholder(s). Nomination facility in respect of shares held in electronic form is also available with the depository participants as per the bye-laws and business rules applicable to NSDL and CDSL. Nomination form can be obtained from the Company's Registrar and Transfer Agent.

(o) Address for Correspondence:

For Transfer / Dematerialisation of Shares, Payment of Dividend on Shares and any other query relating to the shares of the Company.

- (i) For Shares held in Physical Form : MCS Limited,
Neelam Apartment, 88 Sampatrao Colony,
Alkapuri, Baroda 390 007.
Tel. No. (0265) 2339397, 2314757
Fax No. (0265) 2341639.
E-mail: mcsbaroda@yahoo.com
- (ii) For Shares held in Demat Form : Respective Depository Participants of the shareholders.
- (iii) For query on Annual Report : Secretarial Department, Garden Mills Complex,
Sahara Gate, Surat 395010.

(p) Secretarial Audit for reconciliation of capital:

The Securities and Exchange Board of India has directed vide circular No.D&CC/FITTC/CIR-16/2002 dated December 31, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued / paid-up capital.

The said certificates, duly certified by a qualified Practicing Company Secretary is submitted to the stock exchanges where the security of the Company are listed, within 30 days of the end of each quarter and the Certificate is also placed before the Board of Directors of the Company.

(q) CEO / CFO Certification

The CEO and the CFO of the Company give certification on financial reporting and internal controls to the Board in terms of Clause 49.

(r) Eliminate Duplicate Mailing

If you hold the Equity Shares of the Company in more than one Folio in your name or with the same address as other shareholders of the Company, you may authorize the Company to discontinue mailing of multiple Annual Reports.

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING REAPPOINTMENT
(In Pursuance of Clause 49 of the Listing Agreement)**

Name	Mr. M. R. Momaya
Age	76 Years
Qualifications	Engineer
Experience	Having wide experience in the textile industry. He was associated with one of the most reputed textile Company of Surat for about 33 years. He is presently rendering his services as Consultant Engineer.
Director Since	23.10.2000
List of Directorship	Mr. M. R. Momaya does not hold directorship in any other public company.
Membership in Committees in other companies	None.
No. of shares held	Mr. M. R. Momaya does not hold any shares in the Company as of March 31, 2008.

CEO / CFO CERTIFICATION

**TO,
THE BOARD OF DIRECTORS
SURAT TEXTILE MILLS LIMITED**

I, the undersigned in my capacity as Whole-time Director of Surat Textile Mills Limited ("the Company"), to the best of my knowledge and belief certify that

- (a) We have reviewed the financial statements, read with the cash flow statement of Surat Textile Mills Limited for the year ended on 31st March, 2008 and that to the best of our knowledge and belief, we state that;
 - (i) these statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) We further state that to the best of our knowledge and belief, there are no transaction entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.
- (c) We accept responsibility for establishing and maintaining internal controls, and for evaluating the effectiveness of the same over the financial reporting of the company and have disclosed to the Auditor and the Audit Committee, deficiencies in the design or operation of the internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) we have indicated to the Auditors and the Audit Committee:
 - (i) significant changes, if any, in the internal control over financial reporting during the year.
 - (ii) Significant changes, if any, in accounting policies made during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For and on behalf of the Board

M. R. Momaya
Whole-time Director

Surat, 30th July, 2008

DECLARATION ON CODE OF CONDUCT

As required by Clause 49(1)(D) of the Listing Agreement with the Stock Exchanges, it is hereby declared that all the Board members and senior management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2008.

For **Surat Textile Mills Limited**

Place: Surat
Date: 30th July, 2008

M. R. Momaya
Wholetime Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
Surat Textile Mills Limited

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges for the financial year ended 31st March, 2008.

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

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for examination and the information and explanations given to us by the Company.

Based on such review and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance, as stipulated in of Clause 49 of the Listing Agreements, of the Stock Exchanges.

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

For **NATVARLAL VEPARI & CO.**
Chartered Accountants

R. N. VEPARI
Partner
Membership Number: 6728

Surat, 30th July, 2008

AUDITORS' REPORT

TO THE MEMBERS OF SURAT TEXTILE MILLS LIMITED,

We have audited the attached Balance Sheet of **SURAT TEXTILE MILLS LIMITED** as at 31st March, 2008 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date alongwith the notes thereof annexed hereto. 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.

1. 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 disclosure 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.
 2. As required by the Companies (Auditor's Report) Order, 2003 and the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227(4A) 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.
 3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the Company;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account of the Company;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by the report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, except as stated in paragraph (e) below:
- (e) Attention is invited to note no. 1(e) in Schedule 13 to the financial statements:**
- (i) ***The Company has not made provision to recognize diminution in the value of long-term investments amounting to Rs.955.91 Lacs. This is contrary to the accounting practice recommended in Accounting Standard-13 issued by the Institute of Chartered Accountants of India. Consequently, Net worth is overstated to that extent.***
 - (f) ***Directors of the company are disqualified from being appointed as director(s) of any other public company(ies) in terms of clause (g) of sub-section (1) section 274 of the Companies Act, 1956.***
 - (g) Subject to the matters referred in para 3(e) above, in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - iii) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For **NATVARLAL VEPARI & CO.**
Chartered Accountants

R. N. VEPARI
Partner

Membership No. 6728

Surat: 30th July, 2008.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 2 of our report of even date)

- (i) (a) According to the information and explanations given to us, the Company is in the process of compiling its fixed assets register;
- (b) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals in a phased verification programmes, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, discrepancies noticed on such verification have been properly dealt with in the books of account;
- (c) During the year, the Company has not disposed off substantial part of its fixed assets so as to affect its going concern;
- (ii) (a) The inventories have 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 explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) The Company has maintained proper records of inventories. Discrepancies which were noticed on physical verification of inventory as compared to book records, have been properly dealt with in the books of accounts;
- (iii) According to the information and explanations given to us, the Company has not granted / taken any loan, secured or unsecured to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;
- (iv) In our opinion and according to 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 also for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system;
- (v) According to the information and explanations given to us and the audit procedures carried out by us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956;
- (vi) The Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provision of Companies Act, 1956. Therefore, the provisions of Clause (vi) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company;
- (vii) In our opinion and on review of the internal audit reports, 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 and records 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 are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained;
- (ix) (a) According to the information and explanations given to us, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and any other statutory dues;
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2008 for a period of more than six months from the date they became payable;
- (x) In our opinion, after considering effect of qualifications as given in Para 3(e) of Audit Report :
- (a) the Company has accumulated losses at the end of the financial year which is exceeding fifty percent of its net worth;
- (b) the Company has not incurred cash losses during the financial period covered by our audit. The Company has incurred cash losses in the immediately preceding financial year;
- (xi) In our opinion and according to the information and explanations given to us, the Company has repaid the outstanding dues to financial institutions, banks and debenture holders by way of One Time Settlement (OTS) approved by BIFR in the Rehabilitation Scheme;
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
- (xiii) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions;
- (xiv) The Company has not taken any new term loans during the period covered by our report;
- (xv) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment;
- (xvi) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956;
- (xvii) According to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, the provisions of clause (xix) of paragraph 4 of the Order are not applicable to the Company;
- (xviii) During the period covered by our Audit Report, the Company has not raised any money by way of a public issue;
- (xix) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit;
- Considering the nature of activities carried on by the Company, clauses (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.

For **NATVARLAL VEPARI & CO.**
Chartered Accountants

R. N. VEPARI
Partner

Membership No. 6728

Surat, 30th July, 2008.

BALANCE SHEET AS AT 31ST MARCH, 2008

		(Rs. in Lacs)	
	Schedule	As at 31st March 2008	As at 31st March 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,220.64	6,704.21
Reserves and Surplus	2	0.00	4,571.29
		<u>2,220.64</u>	<u>11,275.50</u>
Loan Funds			
Secured Loans	3	0.00	8,595.79
Unsecured Loans	4	3,200.00	450.00
		<u>5,420.64</u>	<u>20,321.29</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	18,370.89	18,367.06
Less :Depreciation		16,609.26	16,425.38
Net Block		1,761.63	1,941.68
Capital Work-in-Progress		147.48	147.48
		<u>1,909.11</u>	<u>2,089.16</u>
Investments			
	6	1,262.04	1,262.04
Current Assets, Loans and Advances			
	7		
Inventories		2,531.05	2,314.05
Sundry Debtors		1,027.78	749.64
Cash and Bank Balances		168.55	282.92
Loans and Advances		217.71	245.40
		<u>3,945.09</u>	<u>3,592.01</u>
Less: Current Liabilities and Provisions			
	8		
Current Liabilities		2,085.36	1,742.37
Provisions		2.80	1.90
		<u>2,088.16</u>	<u>1,744.27</u>
Net Current Assets		<u>1,856.93</u>	<u>1,847.74</u>
Profit and Loss Account		<u>392.56</u>	<u>15,122.35</u>
TOTAL		<u><u>5,420.64</u></u>	<u><u>20,321.29</u></u>
Significant Accounting policies and Notes forming part of the Accounts.	12		

As per our attached report of even date
For **NATVARLAL VEPARI & CO.**
Chartered Accountants

R. N. VEPARI
Partner
Membership No.6728

Surat, 30th July, 2008

For and on behalf of the Board

M. R. MOMAYA
Whole-time Director

S. M. VIG
Director

Y. C. PAPAIIYA
Director

C. S. PUNJABI
Secretary

Surat, 30th July, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	(Rs. in Lacs)	
		2007-2008	2006-2007
INCOME			
Sales and Job Charges		9,547.39	10,659.31
Less :Excise Duty on Sales		597.04	769.01
Net Sales		8,950.35	9,890.30
Other Income	9	77.13	79.10
		9,027.48	9,969.40
EXPENDITURE			
Consumption of Raw Materials		5,736.57	6,642.69
(Increase)/Decrease in Stock	10	(178.20)	20.02
Excise Duty		26.41	(37.41)
Manufacturing and Other Expenses	11	3,102.79	3,026.07
Interest and Finance Charges (net) (Refer Note No. 3, in schedule 12.)		125.09	181.01
Depreciation		183.88	183.20
		8,996.54	10,015.58
Profit / (Loss) before tax		30.94	(46.18)
Provision for Taxation:			
Current Tax/MAT (Refer Note No.4 in Schedule 12)		0.00	0.00
Fringe Benefit Tax		0.90	0.90
Profit / (Loss) after tax		30.04	(47.08)
Balance brought forward from Previous year		(15,122.35)	(15,075.27)
Effect of Rehabilitaiton Scheme:			
Reduction of Share Capital		6,035.80	0.00
Securities Premium A/c.- Adjustment of loss		4,409.91	0.00
Capital Reserve A/c.- Adjustment of loss		153.61	0.00
Capital Redemption Reserve A/c. - Adjustment of loss		10.00	0.00
Secured Loans - balance waived		4,094.38	0.00
Share Forfeiture A/c. - unpaid allotment monies and calls in arrears written off. (Refer Note No.7 & 9 in schedule 12.)		(3.95)	0.00
Balance carried to Balance sheet		(392.56)	(15,122.35)
Basic and diluted earning per share (in Rs.) (Refer Note No.12, in schedule 12.)		0.04	(0.07)
Significant Accounting policies and Notes forming part of the Accounts.	12		

As per our attached report of even date
For **NATVARLAL VEPARI & CO.**
Chartered Accountants

R. N. VEPARI
Partner
Membership No.6728

Surat, 30th July, 2008

For and on behalf of the Board

M. R. MOMAYA
Whole-time Director

S. M. VIG
Director

Y. C. PAPAIIYA
Director

C. S. PUNJABI
Secretary

Surat, 30th July, 2008

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	(Rs. in Lacs)	
	As at 31st March 2008	As at 31st March 2007
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
75,00,00,000 (7,50,00,000)		
Equity Shares of Rs.1/- each (Previous year Rs. 10/- each)	7,500.00	7,500.00
Pursuant to the sanctioned Rehabilitation Scheme (Refer Note No.9 in Schedule 12) the authorised capital of the company stands altered to shares of Rs.1/- each with effect from 28th February, 2008.		
Issued Subscribed and Paid up		
67064440 (67064440) Equity shares of Rs. 10/- each fully paid up stands reduced by 90% to Rs. 1/- each fully Paid up (Refer Note No. 9, in schedule 12.)	670.64	6,706.44
Less :Allotment money in arrears	0.00	0.20
Less : Calls in arrears	0.00	2.03
	670.64	6,704.21
Add: Issued during the year in terms of the Rehabilitation Scheme 155000000(Nil) Equity Shares of Rs 1/- each fully called up and paid up (Refer Note No. 9, in schedule 12.)	1,550.00	0.00
TOTAL	2,220.64	6,704.21
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	153.61	153.61
Less : Transfer to Profit & Loss A/c.(See Note below)	153.61	0.00
	0.00	153.61
Capital Redemption Reserve		
As per last Balance Sheet	10.00	10.00
Less : Transfer to Profit & Loss A/c. (See Note below)	10.00	0.00
	0.00	10.00
Securities Premium Account		
As per last Balance Sheet	4,409.91	4,409.91
Less: Allotment Money in Arrears	0.00	0.20
Less : Calls in Arrears	0.00	2.03
	4,409.91	4,407.68
Less : Transfer to Profit & Loss A/c. (See Note below)	4,409.91	0.00
	0.00	4,407.68
TOTAL	0.00	4,571.29
NOTE: In accordance with the Rehabilitation Scheme (refer Note No.9 of Schedule 12) the accumulated losses of the Company have been set off against the balances in the reserves and surplus as at 31st March, 2007.		
SCHEDULE 3 : SECURED LOANS		
Debentures		
50,22,000 15% Secured Redeemable Debentures each fully paid up.	0.00	6,661.50
Loans and advances from Banks		
Cash Credit Facilities	0.00	418.41
Other Loans and advances	0.00	1,515.88
TOTAL	0.00	8,595.79

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**NOTES :****1. DEBENTURES:**

- (a) In accordance with the One Time Settlement (OTS) terms, the Company has paid off Rs.40.83 crores to the secured lenders towards the aggregate liability (principal and interest) pertaining to Secured Redeemable Debentures and other loans aggregating to Rs.81.77 crores. The secured creditors have waived off the aggregate balance of Rs.40.94 crores of principal, interest, penal interest and other charges upon repayment of OTS amount.
- (b) The aforesaid Secured Redeemable Debentures together with interest, costs and all other monies, expenses were secured by a first mortgage and a charge in favour of the Debenture Trustees, on immovable and movable assets, of the Company, present and future, situated at Varachha road Surat and Village Jolwa Tal. Palsana Dist. Surat subject to prior charge created and/or to be created in favour of Company's bankers on stocks of raw materials, semi-finished goods, consumable stores, finished goods book debts and such other movables as may be agreed to by Trustees for securing the borrowings of working capital requirements in the ordinary course of business.
2. The Other Loans included loan from a financial institution which was secured by first mortgage and charge on all immovable assets, both present and future, and first charge by way of hypothecation of all movable assets, both present and future, of the Company (subject to the prior charge on specified movables created/ to be created in favour of the bankers by way of security for borrowings for working capital), ranking pari passu with the charges created and/or to be created in favour of other institutions.
3. Cash Credit facilities from Bank were secured by hypothecation of all stock of raw materials, stock in process, finished goods and book debts and also by way of second charge on certain immovable properties of the Company.

(Rs. in Lacs)

As at 31st March 2008	As at 31st March 2007
--------------------------------------	--------------------------------------

SCHEDULE 4 : UNSECURED LOANS

Trade Deposit	300.00	450.00
Soft loan from promoters (Refer Note No.9 in Schedule 12)	2,900.00	0.00
TOTAL	3,200.00	450.00

SCHEDULE 5 : FIXED ASSETS

(Rs. in lacs)

PARTICULARS	GROSSBLOCK				DEPRECIATION				NETBLOCK	
	As at 1-4-2007	Additions during the Year	Adjustment during the Year	Total	As at 1-4-2007	For the Year	Adjustment during the Year	Total	As at 31-03-2008	As at 31-03-2007
1	2	3	4	5	6	7	8	9	10	11
Land	711.84	0.00	0.00	711.84	482.14	0.00	0.00	482.14	229.70	229.70
Building	3,104.87	0.00	0.00	3,104.87	2,392.07	36.14	0.00	2,428.21	676.66	712.80
Plant & Machinery	14,491.42	0.00	0.00	14,491.42	13,510.19	144.97	0.00	13,655.16	836.26	981.23
Furniture & Equipment	55.70	0.10	0.00	55.80	39.79	2.43	0.00	42.22	13.58	15.91
Vehicles	3.23	3.73	0.00	6.96	1.19	0.34	0.00	1.53	5.43	2.04
Total	18,367.06	3.83	0.00	18,370.89	16,425.38	183.88	0.00	16,609.26	1,761.63	1,941.68
Previous Year	18,365.95	1.78	0.67	18,367.06	16,242.74	183.20	0.56	16,425.38	1,941.68	2,123.21
Capital Work-in-Progress									147.48	147.48

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	(Rs. in Lacs)	
	As at 31st March 2008	As at 31st March 2007
SCHEDULE 6 : INVESTMENTS		
Long Term Investments (at cost)		
1. Government Security (Unquoted)		
National Saving Certificate	0.01	0.01
2. Other Investments (Quoted)		
i 16600 (16600) Equity Shares of Dena Bank Ltd. of Rs. 10 each fully paid up	4.98	4.98
ii 15900 (15900) Equity Shares of IDBI Ltd. of Rs. 10 each fully paid up	13.46	13.46
iii 550000 (550000) Equity Shares of Garden Silk Mills Ltd. of Rs. 10 each fully paid up	1,243.59	1,243.59
TOTAL	1,262.04	1,262.04

NOTES :

Aggregate Value of Unquoted Investments	0.01	0.01
Aggregate Value of Quoted Investments	1,262.03	1,262.03
Aggregate Market Value of Quoted Investments (Refer Note No.10 in Schedule 12)	306.12	302.23

SCHEDULE 7 : CURRENT ASSETS LOANS AND ADVANCES

A Current Assets**Inventories (As taken, valued and certified by the Management) :**

Stores and Spares and Chemicals	207.50	254.86
Finished Goods	773.85	375.02
Process Stock	218.97	439.60
Raw Materials	175.18	93.31
Property under Development *	1,155.55	1,151.26
* Includes Land at revalued cost.		
	2,531.05	2,314.05

Sundry Debtors :

Exceeding six months	91.17	101.81
Others	936.61	647.83
	1,027.78	749.64
Unsecured, Considered Good	1,027.78	749.64
Considered Doubtful	0.00	0.00
	1,027.78	749.64

Cash and Bank Balances :

Cash on hand	9.76	19.91
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	150.85	156.47
In Fixed Deposit Accounts	2.88	2.88
In Margin Money Accounts	5.06	103.66
	168.55	282.92

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	(Rs. in Lacs)	
	As at 31st March 2008	As at 31st March 2007
SCHEDULE 7 : CURRENT ASSETS LOANS AND ADVANCES (Contd.)		
B Loans & Advances (Unsecured, Considered Good)		
Advances & Loans to Subico Investments, a Partnership firm in which the Company is a Partner.	0.21	0.25
Advance Recoverable in cash or in kind or for value to be received.	92.08	81.76
Balance with Customs, Central Excise, & Sales Tax Authorities, etc.	114.87	158.16
Advance Income Tax (including tax deducted at source)	10.55	5.23
	217.71	245.40
TOTAL	3,945.09	3,592.01

SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS

A. Current Liabilities		
Sundry creditors:		
Dues of Micro, Medium and Small Enterprises (Refer Note No. 8, in schedule 12.)	3.28	0.00
Others	618.40	306.74
Advance payments and unexpired discounts for the portion for which value has still to be given.	1,463.68	1,435.63
	2,085.36	1,742.37
B. Provisions		
For fringe benefit tax	2.80	1.90
TOTAL	2,088.16	1,744.27

	(Rs. in Lacs)	
	2007-2008	2006-2007
SCHEDULE 9 : OTHER INCOME		
Rent Income	64.05	64.08
Dividend Income	8.62	8.49
Miscellaneous Income.	4.46	6.53
TOTAL	77.13	79.10

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	(Rs. in Lacs)	
	<u>2007-2008</u>	<u>2006-2007</u>
SCHEDULE 10 : (INCREASE) / DECREASE IN STOCK		
Opening Stock		
Process Stock	439.60	222.60
Finished Goods	375.02	612.04
	<u>814.62</u>	<u>834.64</u>
Less: Closing Stock		
Process stock	218.97	439.60
Finished Goods	773.85	375.02
	<u>992.82</u>	<u>814.62</u>
(Increase) / Decrease In Stock	<u>(178.20)</u>	<u>20.02</u>

SCHEDULE 11 : MANUFACTURING AND OTHER EXPENSES

Consumption of Stores, Spare parts & Chemicals etc.	560.76	741.41
Packing Expenses	128.31	119.88
Power and Fuel	1,718.59	1,448.76
Rent ,Rates and Taxes	114.60	95.55
Repairs and Maintenance :		
Plant & Machinery	56.52	46.85
Buildings	1.69	6.34
Others	9.64	10.71
Payments to and Provision for Employees :		
Salaries, Wages and Bonus	323.11	286.70
Contribution to Provident and Other Funds	23.28	21.62
Staff Welfare Expenses	1.31	2.96
Gratuity	12.34	12.49
	<u>360.04</u>	<u>323.77</u>
Insurance	15.99	20.44
Auditors' Remuneration	3.16	2.84
Loss on sale of Fixed assets	0.00	0.07
Share of loss in partnership firm	0.03	0.03
Bad Debts Written Off.	0.00	53.55
General Charges	78.44	68.25
Selling and Distribution Expenses	55.02	87.62
TOTAL	<u>3,102.79</u>	<u>3,026.07</u>

SCHEDULE 12 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**1. SIGNIFICANT ACCOUNTING POLICIES:**

Significant accounting policies adopted in the preparation and presentation of the accounts are as under. Accounting policies not referred to other wise are consistent with generally accepted accounting principles.

(a) Basis of Accounting :

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles on accrual basis.

(b) Fixed Assets

Fixed assets are recorded at cost of acquisition or construction, net of CENVAT.

Expenditure incurred on projects under implementation is included under capital work-in-progress and will be apportioned amongst the various assets on commencement of the project.

(c) Depreciation

Depreciation is provided in accordance with the provision of Section 205(2) read with Section 350 of the Companies Act, 1956 except:

- (i) Depreciation on fixed assets purchased up to 1984 is provided as per written down value method at the rates prescribed by Schedule. XIV to the Companies Act, 1956, as amended from time to time.
- (ii) Depreciation on fixed assets purchased during the year 1985 and 1986 is provided as per straight-line method at the rates corresponding to the rates applicable under Income-tax Rules at that time.
- (iii) Depreciation on assets purchased during the year 1987 and onwards has been provided as per straight-line method at the rates and on the basis prescribed by Schedule XIV to the Companies Act, 1956 as amended from time to time.
- (iv) On assets impaired, depreciation has been provided as per (i), (ii) and (iii) above until 31st March, 2004. However, wherever the assets are impaired or significantly impaired and the written down value of those assets have been brought down to a level based on the provision for impairment of assets made as per AS - 28 issued by The Institute of Chartered Accounts of India, depreciation has been worked out after reassessing the useful life of the assets from the brought down level and accordingly charged on, considering brought down level as a base.

(d) Impairment of Assets :

Impairment is ascertained at each balance sheet date in respect of the Company's fixed assets.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use.

(e) Investments

Investments classified as long term investments are stated at cost. Provision is made to recognize a decline other than temporary, if any, in the value of each investment.

(f) Inventories

Inventories are valued in accordance with the requirements of revised accounting standard (AS 2) on valuation of inventories:

- (i) Stores, Spare parts & Chemicals are valued at cost.
- (ii) Raw materials, Stock in process & Finished Goods are valued at cost or net realisable value whichever is lower.
- (iii) Waste is valued at net realisable value.
- (iv) By product is valued at net realisable value.
- (v) Property under Development is valued at revalued cost of land and construction thereon at cost.
- (vi) Cost of inventories is as ascertained on the 'First - in - First - out' basis.

(g) Sales :

Sales comprises sale value of goods, net of sales returns, Discount, Rate Difference and Sales Tax / VAT in accordance with clarification 3/2002 made to AS-9 "Revenue Recognition". Sales also include, sales of scrap, waste, reject etc. and profits from property held as stock in trade.

(h) Accounting for Excise Duty :

- (i) Excise Duty has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses and the same has been treated as part of the cost of respective stock as per the revised Guidance Note on Accounting treatment for Excise Duty. However, this has no effect on the loss for the year.

Amount of Excise Duty shown as deduction from Sales is the total Excise Duty for the year except the duty related to difference between Closing Stock & Opening Stock.

Excise duty related to the difference between Closing Stock & Opening Stock is recognised separately in the Profit & Loss Account.

- (ii) The CENVAT benefits attributable to acquisition of fixed assets is netted off against the cost of fixed assets in accordance with the guidance note issued by the Institute of Chartered Accountants of India.

(i) Expenses

All material known liabilities are provided for on the basis of available information / estimates.

(j) Retirement Benefits :

Provision for Gratuity is made on the basis of an actuarial valuation as at the year end. Provision for leave encashment benefit has been provided in accordance with the Accounting Standard (AS) 15 - "Employee Benefits". These obligations are unfunded.

SCHEDULE 12 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)**(k) Borrowing Cost**

Borrowing cost that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing cost are charged to revenue.

(l) Going Concern Basis

Considering the overall growth in the textile industry and barring unforeseen circumstances, the management is confident that after the implementation of the sanctioned Rehabilitation Scheme (refer Note No.9 in Schedule 12) the Company would be able to generate sufficient returns to make its net worth positive in future. The Management of the Company does not have the intention, nor the necessity of liquidation or materially curtailing the scale of its operations in the foreseeable future. Accordingly, the accounts of the Company are prepared on Going Concern Basis.

2. The Company is contingently liable in respect of the followings.

Claims against the Company not acknowledged as debts Rs.Nil (Previous year Rs.2871.45 lacs)

3. Interest and Finance Charges (net)

	(Rs. in Lacs)	
	<u>2007-2008</u>	<u>2006-2007</u>
Interest expenses	33.82	40.24
Finance charges	107.82	148.33
	141.64	188.57
Less:		
Interest & other finance Income	16.55	7.56
(Tax deducted on Interest income Rs.1.27 lacs Previous year Rs.0.93 lacs)		
TOTAL	125.09	181.01

4. No provision for tax has been made in view of unabsorbed depreciation. Provisions of Minimum Alternate Tax (MAT) do not apply as the Company was registered with BIFR as a sick unit as on 31st March, 2008 under the provisions of SICA.

5. The Company has unabsorbed depreciation & carried forward losses under Tax laws. In absence of virtual certainty of sufficient future taxable income, net deferred tax assets has not been recognized by way of prudence in accordance with Accounting Standard (AS) 22 - "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

6. The Company has identified only one product - segment viz ' yarns ' as per Accounting standard 17 of ICAI, and has not identified any geographical segment, where risks & returns are materially different.

7. 39570 equity shares on which call money and allotment money were in arrear, forfeited and the amount of Rs.3.95 lacs due after giving effect to the reduction in share capital has been written off to the Profit and Loss Account.

8. Micro and Medium scale business entities:

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

9. The Company is registered as a sick company with the Board for Industrial & Financial Reconstruction (BIFR) under The Sick Industrial Companies (Special Provisions) Act, 1985. The Hon'ble Board has sanctioned a rehabilitation scheme resting with its order dated 22nd January, 2008 envisaging various relief and concessions. ("Rehabilitation Scheme")

Further, the sanctioned Rehabilitation Scheme inter alia provides for restructuring of debts through One Time Settlement (OTS) with the secured lenders, write down (reduction) of the existing equity capital u/s 18(2)(f) of SICA by 90%, issue of fresh equity share capital on a preferential basis in favour of the promoters and fresh infusion of funds by the promoters as additional working capital and soft loan for revival of the Company.

In accordance with the One Time Settlement (OTS) terms, the Company has paid off Rs.40.83 crores to the secured lenders towards the aggregate liability (principal and interest) amounting to Rs.81.77 crores. As per the approved rehabilitation scheme, the dues of the secured creditors have been completely settled and the secured creditors have waived off the aggregate balance Rs.40.94 crores of principal, interest, penal interest and other charges upon repayment of OTS amount. The promoters have contributed Rs.3.67 crores towards additional working capital.

In accordance with the rehabilitation scheme the Company has issued 155000000 fresh equity shares of Rs.1/- each fully paid up on a preferential basis in favour of the promoters / promoter groups for an amount aggregating to Rs.15.50 crores. In addition, the promoters of the Company have brought in Rs.29.00 crores by way of a soft loan to the Company. The soft loan from the promoters is interest free and subordinated to banks/ financial institutional loans and shall not be withdrawn till the end of the scheme period.

The effects of rehabilitation scheme, in terms of write-down in Share Capital, utilisation of reserves and waiver of dues by secured creditors are as disclosed in the Profit & Loss Account under "Effect fo Rehabilitation Scheme".

SCHEDULE 12 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

10. With the on-going capital expansion plans of Garden Silk Mills Limited (the Company) and the expected increase in capacities, reduction in costs and increase in operational efficiencies, the financial performance and position of the Company is expected to significantly improve. The current subdued capital market conditions in the country do not also reflect the current value of the Company and its potential. Therefore, the decline in value of investments of our Company in Garden Silk Mills Limited is considered to be temporary.
11. Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the accounting standard 15 (Revised) the details of which are as hereunder. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

A. Amount To Be Recognised in Balance Sheet	As at 31st March, 2008	
	Gratuity (Unfunded)	Leave encashment (Unfunded)
Present value of Unfunded Obligations	36.53	20.78
Amounts appearing in Balance Sheet		
Liability	36.53	20.78
Assets	0.00	0.00
Net Liability	36.53	20.78
B. Expenses Recognized in the Profit and Loss Account		
Total, included in "Payments to and provision for Employees" - refer Schedule 11	12.34	22.92
C. Actuarial Assumptions		
Discount Rate (per annum)	8%	8%
Rate of Escalation in Salary (per annum)	4%	4%
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
12. Earning per share : (AS - 20)	2007-2008	2006-2007
Net Profit / (loss) as per profit and loss account. (Rs in Lacs)	30.04	(47.08)
Weighted average number of Equity shares outstanding	81,078,139	67064440
Basic and diluted earning per share. (in Rs.)	0.04	(0.07)
Face Value	Rs.1/- per Share	Rs.10/- per Share

13. Related Party disclosure as per AS-18 issued by the ICAI is as under

(a) Related Party, where control exists

Key Managerial Personnel	Name of the Related Parties	Nature of Relationship
1 Mr M.R.Momaya(Wholetime Director)	-----	-----
2 Mr. Y.C. Papaiya	Yogesh. C. Papaiya & Co. Chartered Accountants	Proprietor
3 Mr. S. M. Vig	-----	-----

(b) Related Party, where transactions have been entered into

Name of the Related Parties	Nature of Relationship	Amount of Transactions	Nature of Transactions	Balance outstanding as on 31/3/08
Subico Investment	Partner	Rs. 0.03 Lacs (Rs. 0.03 Lacs)	Share of Loss	Rs.0..21 Lacs (Rs.0.25 Lacs)

Note : Figures in brackets represent previous year's amount.

	(Rs. in Lacs)	
	2007-2008	2006-2007
14. A. Statutory Auditor's Remuneration :		
Audit Fees	2.76	2.35
B. Tax Auditors' Remuneration.		
Audit Fees	0.40	0.49

SCHEDULE 12 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

		<u>2007-2008</u>		<u>2006-2007</u>	
15. a. Licensed Capacity *		N.A.*		N.A.*	
* Delicensed Vide Notification No. 477(E) dt.27th July,1991.					
b. Installed Capacity	<u>Unit</u>	<u>2007-2008</u>		<u>2006-2007</u>	
Spindles (Cotton Spinning)	Nos.	29,728		29,728	
Polyester Chips	TPA	25000		25000	
Polyester Filament Yarn	TPA	5000		5000	
Spindles (Synthetic Fiber Spinning)	Nos.	13,580		13,580	
Note :- The installed capacity is certified by a Director and being a technical matter is accepted by the Auditors without verification.					
c. Production	<u>Unit</u>	<u>2007-2008</u>		<u>2006-2007</u>	
(Not including products procured on Job work)					
Spun Yarn	Kgs.	1,037,647		1,147,569	
Polyester Filament Yarn	Kgs.	7,660,624		7,319,118	
Polyester Chips	Kgs.	22,585,154		16,970,712	
Methanol	Kgs.	818,574		3,855,407	
		<u>2007-2008</u>		<u>2006-2007</u>	
	<u>Unit</u>	<u>Qty.</u>	<u>Rs. in Lacs</u>	<u>Qty.</u>	<u>Rs. in Lacs</u>
16. (a) Turnover					
M.E.G.	Kgs.	26,300	16.47	110,000	56.24
D.M.T.	Kgs.	5,000	2.09	0	0.00
P.T.A.	Kgs.	0	0.00	0	0.00
Spun Yarn	Kgs.	1,015,650	1,722.73	1,127,096	2,089.49
Polyester filament Yarn	Kgs.	7351931	6,293.22	7,546,559	6,948.41
Polyester Chips	Kgs.	505,122	335.10	437,989	274.52
Others	Mtrs & Kgs	0	131.68	0	566.86
		1094589		4,031,785	
(b) Consumption of Raw Materials					
D.M.T.	Kgs.	1,241,000	561.76	5,480,096	2,693.39
M.E.G.	Kgs.	1611907	770.83	2,170,833	875.76
P.T.A.	Kgs.	2367200	881.21	115,500	56.50
Polyester Chips	Kgs.	3813050	2,340.54	2,158,479	1,631.12
Cotton & Fibers	Kgs.	932079	836.46	996,336	830.31
Spun Yarn	Kgs.	138300	345.78	193,273	555.61
			5,736.57	6,642.69	
(c) Opening Stock					
<u>Finished Goods</u>					
Spun Yarn	Kgs.	81,073	134.85	53,617	104.76
Polyester filament Yarn	Kgs.	92,628	74.37	320,051	246.18
Polyester Chips	Kgs.	189,025	150.48	373,586	247.16
Cloth	Mts	3,280	1.38	3,280	1.38
Others	Kgs.	60,800	13.94	55,852	12.56

SCHEDULE 12 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

	Unit	2007-2008		2006-2007	
		Qty.	Rs. in Lacs	Qty.	Rs. in Lacs
(d) Closing stock					
<u>Finished Goods</u>					
Spun Yarn	Kgs.	104354	170.90	81,073	134.85
Polyester filament Yarn	Kgs.	401268	314.59	92,628	74.37
Polyester Chips	Kgs.	429475	278.46	189,025	150.48
Cloth	Mts	3280	1.38	3,280	1.38
Others	Kgs.	29925	8.52	60,800	13.94
Stock, excluding Shortages, Wastage's, scrap etc.					
(e) Purchase					
M.E.G.	Kgs.	0	0	0	0
P.T.A.	Kgs.	0	0	0	0
Cloth	Mts	0	0	0	0
		2007-2008		2006-2007	
		%	Rs. in Lacs	%	Rs. in Lacs
17. Value of imported and indigenous Raw Material, Stores, Spare parts, Components & Chemicals consumed					
(a) Raw Materials					
Imported		0.00	0.00	0.00	0.00
Indigenous		100.00	5736.57	100.00	6,642.69
		100.00	5736.57	100.00	6,642.69
(b) Stores, Spare parts, Component and Chemicals consumed					
Imported		68.95	386.63	75.54	560.03
Indigenous		31.05	174.14	24.46	181.38
		100.00	560.76	100.00	741.41
					(Rs. in lacs)
				2007-2008	2006-2007
18. (a) CIF Value of Imports					
i. Stores, Spare parts, Components & Chemicals				288.69	561.96
ii. Capital Goods				0.00	0.00
(b) Earnings in Foreign currency. FOB Value of Export				0.00	0.00
19. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.					
20. Additional information pursuant to Part-IV of Schedule VI to the Companies Act, 1956 is as per Annexure - A.					

Signature to Schedules "1" To "12"

As per our attached report of even date
For **NATVARLAL VEPARI & CO.**
Chartered Accountants

R. N. VEPARI
Partner
Membership No.6728

Surat, 30th July, 2008

For and on behalf of the Board
M. R. MOMAYA
Whole-time Director
S. M. VIG
Director
Y. C. PAPAIIYA
Director
C. S. PUNJABI
Secretary

Surat, 30th July, 2008

ANNEXURE "A"

Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile**1. Registration details**

Registration No. 2 1 4
 State Code 0 4
 Balance Sheet Date 3 1 0 3 2 0 0 8
 Date Month Year

2 Capital raised during the Year (Amount in Rs. Thousand)

Public Issue Rights Issue
 Bonus Issue Private Placement 1 5 5 0 0 0

3 Position of mobilisation and deployment of funds (Amount in Rs. Thousand)

Total Liabilities 7 5 0 8 8 0
 Total Assets 7 5 0 8 8 0

Sources of Funds

Paid-Up Capital 2 2 2 0 6 4
 Reserves & Surplus
 Secured Loans Unsecured Loans 3 2 0 0 0 0

Application of Funds

Net Fixed Assets 1 9 0 9 1 1
 Investments 1 2 6 2 0 4
 Net Current Assets 1 8 5 6 9 3
 Misc. Expenditure
 Accumulated Losses 3 9 2 5 6

4 Performance of Company (Amount in Rs. Thousand)

Turnover 9 0 2 7 4 8
 Total Expenditure 8 9 9 6 5 4
 +/- Profit/Loss Before Tax + 3 0 9 4
 +/- Profit/Loss After Tax + 3 0 0 4

(Please tick appropriate box + for Profit - for Loss)

Earning Per Share in Rs. + 0 . 0 4
 Dividend Rate %

5 Generic names of three principal product/service of the Company (as per monetary terms)

Item code No. (ITC Code) 5 2 0 5
 Product Description C O T T O N Y A R N
 Item code No. (ITC Code) 5 4 0 2
 Product Description S Y N T H E T I C F I L A M E N T
 Y A R N
 Item code No. (ITC Code) 3 9 0 7
 Product Description P O L Y E S T E R C H I P S

Note: Classification of products/service under ITC code being of a technical nature is not verified by the Auditors.

As per our attached report of even date
 For **NATVARLAL VEPARI & CO.**
 Chartered Accountants

R. N. VEPARI
 Partner
 Membership No.6728

Surat, 30th July, 2008

For and on behalf of the Board
M. R. MOMAYA
 Whole-time Director
S. M. VIG
 Director
Y. C. PAPAIA
 Director
C. S. PUNJABI
 Secretary

Surat, 30th July, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

(Pursuant to listing Agreement with the Stock Exchanges)

	Year Ended 31st. March, 2008	(Rs.. in lacs) Year Ended 31st. March, 2007
A. Cash Flow from Operating Activities		
Net Profit (Loss) before tax.	30.94	(46.18)
Adjustments for		
Depreciation	183.88	183.20
Interest and Finance Charges	125.09	181.01
Loss on sale of fixed Assets	0.00	0.07
Bad Debts Written off	(2.98)	53.55
Dividend Income	(8.62)	(8.49)
	<u>297.37</u>	<u>409.34</u>
Operating Profit before Working Capital Changes	328.31	363.16
Adjustments for		
Decrease/(Increase) in Trade & Other Receivables	(245.38)	(374.51)
(Increase) / decrease in Inventories	(217.00)	(78.34)
(Decrease) / Increase in Trade Payables	345.97	117.65
	<u>(116.41)</u>	<u>(335.20)</u>
Cash Generated from Operations	211.90	27.96
Direct Taxes (Paid) / Refund	(4.05)	5.70
	<u>(4.05)</u>	<u>5.70</u>
Net Cash Flow from Operating Activities	<u><u>207.85</u></u>	<u><u>33.66</u></u>
B. Cash Flow From Investing Activities		
Purchase of fixed Assets	(3.83)	(1.78)
Decrease in Advance for Fixed Assets	0.00	0.00
Sale of Fixed Assets	0.00	0.04
Dividend Income	8.62	8.49
Loan to other Companies / Firms.	0.04	0.03
	<u>4.83</u>	<u>6.78</u>
Net Cash Flow from Investing Activities	<u><u>4.83</u></u>	<u><u>6.78</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008 (Contd.)

	Year Ended 31st. March, 2008	(Rs.. in lacs)	Year Ended 31st. March, 2007
C. Cash Flow From Financial Activities			
Proceeds from issue of shares to Promoters	1,550.00	0.00	
Allotment & Calls Money in arrears received	0.32	0.00	
Forfeited shares reissued	0.21	0.00	
Proceeds from Borrowings	2,210.00	234.26	
Repayment of Debentures	(3,543.00)	0.00	
Repayment of Borrowings	<u>(418.41)</u>	<u>0.00</u>	234.26
Interest & Other Finance Charges paid	<u>(126.17)</u>		<u>(227.31)</u>
Net Cash Flow from Financial Activities	<u>(327.05)</u>		<u>6.95</u>
Net Increase / (Decrease) in Cash & Cash Equivalents	(114.37)		47.39
Opening Balance of Cash and Cash Equivalents	282.92		235.53
Closing Balance of Cash and Cash Equivalents	168.55		282.92

As per our attached report of even date
For **NATVARLAL VEPARI & CO.**
Chartered Accountants

R. N. VEPARI
Partner
Membership No.6728

Surat, 30th July, 2008

For and on behalf of the Board
M. R. MOMAYA
Whole-time Director

S. M. VIG
Director

Y. C. PAPAIIYA
Director

C. S. PUNJABI
Secretary

Surat, 30th July, 2008

SURAT TEXTILE MILLS LIMITED

Regd. Office: Garden Mills' Complex, Sahara Gate, Surat 395010.

ANNUAL GENERAL MEETING PROXY FORM

I/We _____
of _____ being a member(s) of the above named Company,
hereby appoint _____
of _____ or failing him _____
of _____ as my/our proxy and to vote for me/us on my/our behalf at the
SIXTY SECOND ANNUAL GENERAL MEETING to be held on Wednesday, the 24th day of September, 2008 at 10:30 a.m. or
at any adjournment thereof.

Ledger Folio No. _____

DP ID * _____

Client ID * _____

No. of Shares held _____

Please
Affix
Re. 1
Revenue
Stamp

Signed this _____ day of -----, 2008

(Signature of the Member)

* Applicable for the members holding shares in electronic form.

Note : This form duly completed and signed should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

----- TEAR HERE -----

SURAT TEXTILE MILLS LIMITED

Regd. Office: Garden Mills' Complex, Sahara Gate, Surat 395010.

ATTENDANCE SLIP

TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

Full Name of the
Member attending
(IN BLOCK LETTERS) : _____

Full Name of the
first joint-holder
(IN BLOCK LETTERS) : _____
(To be filled in if first named joint-holder does not attend the meeting)

Full Name of Proxy
(IN BLOCK LETTERS) : _____
(To be filled in if Proxy attends instead of the Member)

I hereby record my presence at the **SIXTY SECOND ANNUAL GENERAL MEETING** of the Company at Garden Mills' Complex, Sahara Gate, Surat 395010, on Wednesday, the 24th day of September, 2008 at 10:30 a.m.

Ledger Folio No. _____

DP ID * _____

Client ID * _____

No. of Shares held _____

Member's / Proxy's Signature
(To be signed at the time of handing over this slip)

* Applicable for the members holding shares in electronic form.

BOOK-POST

If undelivered, please return to :

Surat Textile Mills Limited

Garden Mills' Complex,
Sahara Gate,
SURAT - 395 010.