

ANNUAL REPORT 2008-2009



SURAT TEXTILE MILLS LIMITED

BOARD OF DIRECTORS

M. R. Momaya	Wholetime Director
S. M. Vig	Director
Y. C. Papaiya	Director
C. K. Koshy	Special Director (BIFR)

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

REGISTRARS & TRANSFER AGENTS ***Karvy Computershare Private Limited**

Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad – 500 081
Tel. No. 040-23420815 to 24
Fax No. 040-23420814
e-mail: einward.ris@karvy.com
[http:// www.karvy.com](http://www.karvy.com)

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

**63rd Annual General Meeting on Tuesday, 11th August, 2009 at 10.30 a.m.
at the Registered Office of the company.**

* The Company has appointed Karvy Computershare Private Limited as the new Registrar & Transfer Agents in place of MCS Limited, w.e.f. 15th November, 2008

NOTICE

Notice is hereby given that the Sixty-third Annual General Meeting of the Members of **SURAT TEXTILE MILLS LIMITED** will be held on **Tuesday, 11th August, 2009 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:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March 2009 and Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Y. C. Papaiya, 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 June, 2009.

Notes:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself. Such a proxy need not be a member of the Company. Proxies in order to be valid and effective, must be delivered at the Registered Office of the Company not later 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 Wednesday, 5th August, 2009 to Tuesday, 11th August 2009 (both days inclusive).
3. Members holding shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to write to the Company's Share Transfer Agent M/s Karvy Computershare Private Limited, to consolidate their holdings in one folio.
4. The unclaimed dividend upto the financial year ended March 31, 1995 have been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those shareholders who have so far not claimed their dividend for the financial year ended 31st March, 1995 may claim their dividend from the Registrar of Companies – Gujarat by submitting an application in the prescribed form.
5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1995-96 which had remained unpaid/unclaimed for a period of 7(seven) years have been transferred to the Investor Education and Protection Fund (the fund) constituted by the Central Government under section 205C of the Companies Act, 1956. It may kindly be noted that once the unclaimed dividend is transferred to the aforesaid Fund of the Central Government, no claim shall lie in respect thereof.
6. Members desirous of getting any information about the accounts and/or operations of the Company are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to keep the information ready at the Meeting.
7. 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.
8. Members who are holding shares in physical form are requested to notify change in address, if any, to the Company's Share Transfer Agent quoting their folio number. Shareholders holding shares in dematerialised form, should intimate change of their address, if any, to their Depository Participant.
9. 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.
10. 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.

By Order of the Board of Directors

M. R. Momaya
Wholetime Director

Surat, 30th June, 2009.

Particulars of the Directors seeking Appointment / Re-appointment at the ensuing Annual General Meeting (pursuant to Clause 49 of the Listing Agreement).

Name	Mr. Y. C. Papaiya
Age	57 years.
Date of Appointment	23.10.2000
Qualification	F.C.A.
Expertise in functional areas	He has over 25 years of experience in the field of Finance, Accounting and Auditing. He is also associated with the Group as Consultant and rendering his professional services to other companies also.
Directorship in other companies	1. Saanika Textiles Private Limited 2. Porus Textiles Private Limited
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Members,

Your Directors are pleased to present the sixty-third Annual Report on the business and operations of your Company together with the audited accounts for the year ended 31st March 2009.

Financial Results

	(Rs. in Lacs)	
	2008-09	2007-08
Gross Sales and Job Charges Income	17521.73	9547.39
Profit before interest, depreciation and tax	892.83	339.91
Financial Charges (Net)	7.67	125.09
Profit before Depreciation and Tax	885.16	214.82
Depreciation	182.29	183.88
Profit before Tax	702.87	30.94
Provision for Tax	82.00	0.90
Net Profit for the year	620.87	30.04

Dividend

In order to conserve the resources of the Company and taking into account the prevailing uncertain economic situation the Board of Directors have decided not to recommend dividend for the financial year ended 31st March 2009.

Review of Operations

During the year under review, consequent to the infusion of fresh working capital as envisaged in the rehabilitation scheme, the Company was able to utilise its capacity for own production.

Gross sales and job charges income for the year ended 31st March, 2009 increased to Rs.175.22 crores as compared to Rs.95.47 crores in the previous year, registering a growth of over 83%. The substantial increase in sales was primarily on account of higher chips sale as the Company discontinued its conversion and processing activity on third party job work basis, and utilised its capacities for own production.

The total production of chips increased from 22585 MT to 24542 MT whereas the production of polyester filament yarn remained at 7142 MT as compared to 7661 MT in the previous year.

Apart from substantial increase in sales of chips, the Company's stress on quality and on specialty products has also paid off in improving its performance.

Margins in the first half of 2008-09 remained under pressure due to the volatility in crude oil and petrochemical prices coupled with financial crisis & slowdown of major economies resulting in lower demand growth. With the fall in crude oil prices which was reflected in PTA / MEG prices as well the margins improved in the second half of the year under review.

Rehabilitation Scheme

Your Company has successfully implemented provisions of the sanctioned scheme as per the directives of the Hon'ble Board for Industrial and Financial Reconstruction (BIFR). As part of the implementation of Rehabilitation Scheme, the promoters of the Company have contributed an aggregate amount of Rs.44.50 crores comprising of a soft loan of Rs.29 crores to the Company and by subscribing fresh equity shares at par on a preferential basis for an amount aggregating to Rs.15.50 crores. The dues of the secured creditors have been completely settled in accordance with the terms of the One Time Settlement (OTS) approved by the Hon'ble BIFR.

Further, with the implementation of the Rehabilitation Scheme sanctioned by the BIFR in January, 2008, the net worth of the Company became positive in the first year of rehabilitation i.e. 2007-08 and in the current year 2008-09 the entire accumulated losses have been wiped out and as at 31st March, 2009 the Company recorded a net worth of Rs.24.49 crores with reserves and surplus of Rs.2.28 crores. On payment of dues to the term lenders / trustees of the debentures, the charge created in their favour on the properties of the Company have been satisfied in full. The suit filed by the institutions in Debt Recovery Tribunal (DRT) has also been withdrawn.

Industry Scenario

The Indian textile sector is a major contributor to the Indian economy in terms of gross domestic products (GDP), industrial production and the country's total export earnings. The Indian textile industry is currently passing through a turbulent phase. With the global downturn ravaging economies, the textile sector is one of the worst hit. However it is expected that the economy may improve from the second half of the financial year 2009-10.

The macroeconomic environment is expected to recover gradually translating into higher demand for polyester. Growth in non cotton fabrics is expected to drive the demand growth for PFY. Direct exports of PSF and PFY are forecast to increase which will provide a further boost to demand.

The prospects of synthetic yarn industry in short term is linked with the movement of crude oil prices in international market however the long term prospects seems good with the growing Indian economy and demand growth in end-use products.

To boost polyester yarn demand growth, the Indian Government has reduced excise duty in December 2008 from 8% to 4%. This coupled with falling crude oil prices, has helped improve the margins in the short term as the demand has started picking up since January 2009.

Opportunities, Threats, Risk and Concern

In the medium term, uncertain availability and volatility in prices of key raw materials is a major concern. The industry is dependent on the international price of crude oil, which directly impacts the price of both our key raw materials PTA and MEG. Any crude supply shock could have an adverse impact on the performance of the Company.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

Slowing down of Indian economy in general and the lower demand growth may further reduce the growth of the industry. Price realisation of PFY is partly dependent on cotton yarn prices. If demand of finished products stagnates, margins in the Company's product i.e. chips and PFY will be affected, given the large capacities in place. A substantial increase in the cotton crop and the consequent reduction in cotton yarn prices would curtail growth in the industry. It is expected that the present raw material prices may help boost domestic demand. Increase in use of synthetic yarn in new areas of fashion fabrics and technical textiles will provide further push to the growth of this industry.

With the polyester prices declining, while viscose and cotton prices are remaining firm; making polyester more attractive and supporting polyester demand. In the current adverse macroeconomic environment, consumers may opt to purchase more polyester fabrics because of its affordability.

Business Outlook

The growth in demand is expected to continue to rely on high consumption in the domestic market. Your Company is committed to build business with long term goal based on your Company's intrinsic strength in terms of product quality and customer network. Your Company is also focused on bringing down costs and streamlining operations to improve future profitability while strengthening the management team at the functional level.

Your Company is pursuing cost control measures, increased productivity, improving efficiencies in manufacturing areas and a thrust in sales and better price realisation with better product mix. However, the performance of the Company would be largely dependent on the overall industrial scenario.

Internal Control

Your Company has an adequate and effective internal control system to ensure that assets and interests of the Company are safeguarded and reliability of accounting data and accuracy are ensured with proper checks and balances.

The internal control system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements. The Audit Committee of the Board of Directors, Statutory Auditors and the business heads are periodically appraised of the internal audit findings and the corrective actions taken. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal controls systems and suggests improvements for strengthening them.

Risk Management

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company has no exposure in foreign exchange transactions and therefore not affected to such risks. The Company proactively manages these risks in inputs through better inventory management, vendor development and relationship. The Company mitigates the impact of price risk on finished goods with Company's strong reputation for quality, products differentiation and service to the customers with better marketing network.

Environment and safety

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires the conduct of all operations in such manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

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 might differ substantially or 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

In accordance with the Articles of Association of the Company Mr. Y. C. Pappaiya, Director of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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 notes to Notice forming part of the Annual Report.

Change of Registrars & Transfer Agents

The Company has changed the Registrar & Transfer Agent (RTA) related activities from MCS Limited to Karvy Computershare Private Limited w.e.f 15th November 2008. Both the depositories i.e. NSDL and CDSL have also shifted connectivity to new Registrar & Transfer Agent of the Company. The necessary information to the concerned stock exchanges have been provided and the notice stating the details of change was also published in the interest of members and the proposed investors.

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 information required 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 is annexed hereto as annexure 'A' and forms 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 AND MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

Industrial relations

There has been cordial and harmonious industrial relations during the year across all the locations and the management received full co-operation from all the employees.

Listing at Stock Exchanges

In response to the Company's application for listing of 15,50,00,000 Equity Shares of Re.1/- each issued at par and allotted to Promoters on preferential basis pursuant to BIFR Order, the Bombay Stock Exchange Limited and Ahmedbad Stock Exchange Limited granted their approval for listing and trading of the aforesaid shares vide their letter dated 11th September, 2008 and 25th March, 2009 respectively

Auditors & Auditors' Report

Messrs Natvarlal Vepari & Co., Chartered Accountants, statutory auditors of the Company hold office upto the forthcoming Annual General Meeting are recommended for re-appointment to audit the accounts of the Company for the financial year 2009-10. As required under the provisions of the section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from statutory auditors 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

As per the requirement of Central Government and pursuant to Section 233B of the Companies Act, 1956 your Company carries out an audit of cost records relating to textiles every year. Subject to the approval of the Central Government, the Company has appointed Messrs P. M. Nanabhoj & Co., cost accountants, as auditors to audit the cost accounts of the Company for the financial year 2009-10.

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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (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 continues to be committed to good corporate governance practices. Your Company complies with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance along with the Auditors' certificate on compliance with the Corporate Governance as stipulated in Clause 49 forms part of this Annual Report.

Acknowledgement

The Directors wish to place on record their appreciation for their continued support and co-operation by Financial Institutions, Banks, Government authorities and other stakeholders. Your Directors also acknowledge the support and assistance extended by the Company's suppliers and business associates and all the employees for their dedicated service and the confidence reposed in the Company and its management.

By Order of the Board of Directors

Surat, 30th June, 2009.

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. Energy Conservation measures taken:

- 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 in consumption of electricity and fuel oils with consequent reduction in the cost of production.
- c. Total energy consumption and energy consumption per unit of production as per Form "A" as per annexure to the Rules.

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS (Contd.)

FORM "A"		
Form for Disclosure of Particulars with respect to Conservation of Energy.		
	<u>2008-09</u>	<u>2007-08</u>
A Power And Fuel Consumption		
1. Electricity		
a. Purchased Unit in lacs	159.69	172.14
Total amount Rs. in Lacs.	1171.23	1053.48
Rate / Unit Rs.	7.33	6.12
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.)	1202	115
Total Amount Rs. in Lacs.	205.52	21.92
Average rate Rs./ Ltr.	17.10	19.11
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) *	4.61	4.38
Product Details	PFY	PFY
Unit	Kg.	Kg.
Electricity (Unit) *	1.12	1.12
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**

- 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.
- Benefits derived as a result of the above efforts:
 - The Company has been strengthening its product portfolio, improving the quality of its existing products and also been able to reduce the cost of production.
- Future Plan of Action
 - Management is committed to strengthen quality control department, further to improve its competitiveness in times to come.
- 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

- 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.
- Benefits derived as a result of the above efforts:
 - Better quality of yarn will be produced at low costs.
 - Improvement in capacity utilisation.
- 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.20 of Schedule 11 annexed to the accounts.

By Order of the Board of Directors

Surat, 30th June, 2009.

M. R. Momaya
Wholtime Director

CORPORATE GOVERNANCE REPORT

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself to increasing long-term Shareholders value, keeping in view the needs and interests of all its Stakeholders. The Company's governance process and practice has ventured to achieve a transparency and professionalism in action as well as the implementation of policies and procedure to ensure ethical standards as well as responsible management.

The Company has listed out its various compliances with the statutory requirements of the day, as well as the spirit of the practice.

II. BOARD OF DIRECTORS:

Composition of the Board:

The Board of the Company comprises with adequate blend of professional, executive and independent directors. The total number of Directors on the Board as on date of this report is four. Out of four, three are non-executive independent directors which includes special director appointed by the BIFR.

Name of Directors	Category (Executive/Non-Executive)	No. of Board Meetings attended	Whether last AGM held on 24.09.08 attended	Other Directorship held at the year end.	No. of Committee membership / Chairmanship in other Companies .
Mr. M.R. Momaya	Wholetime Director	1	Yes	None	None
Mr. S.M. Vig	Non-executive, Independent	4	Yes	None	None
Mr. Y.C. Papaiya	Non-executive, Independent	4	Yes	None	None
Mr. C. K. Koshy	Special Director(BIFR)	1	No	2	None

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

A total of four meetings of the Board of Directors were held on 29th May, 2008, 30th July, 2008, 25th October, 2008 and 30th January, 2009. The Company has thus observed the provisions of the Listing Agreement(s), allowing not more than four months gap between two such meetings. None of the non-executive director is holding any shares in the Company as at the year end. The Company does not have any convertible instrument as at 31st March, 2009.

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.

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 consists of three Directors

1. Mr. Y. C. Papaiya (Chairman) Non-executive and Independent Director
2. Mr. S. M. Vig, (Member) Non-executive and Independent Director
3. Mr. M. R. Momaya, (Member) Executive Director

Mr. Y. C. Papaiya is a Chartered Accountant by profession. The Company Secretary acts as the Secretary to the Committee. The Committee, in addition to other business reviews the quarterly (unaudited) financial results, annual accounts and cost audit report etc. before submitting to the Board of Directors.

Four meetings were held during the financial year ended 31st March, 2009 i.e. on 29.05.2008, 30.07.2008, 25.10.2008 and 30.01.2009. Mr. Y. C. Papaiya and Mr. S. M. Vig were present for each of the four meetings and Mr. M. R. Momaya was present at the meeting held on 30.07.2008. The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 24th September, 2008 and he ensured that necessary clarifications and explanations were provided to the members of the Company on issues regarding accounts and finance.

CORPORATE GOVERNANCE REPORT (Contd.)

IV. REMUNERATION OF DIRECTORS:

The Committee consists of 3 Non-executive Directors viz; Mr. Y. C. Papaiya, Mr. S. M. Vig and Mr. C. K. Koshy, 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 Executive Director on the Board of the Company, has already been approved for a five year term with effect from 11th December, 2005. The same was approved by the members in the Annual General Meeting held on 6th September, 2005, however in terms Section II of Part II of Schedule XIII no remuneration has been paid to Mr. M. R. Momaya for the year 2008-09.

The Company pays sitting fees and traveling expenses to all the Non-executive directors for attending any meeting of the Board or any Committee thereof. Sitting fees paid to the directors for the year ended 31st March, 2009, is as follows: Mr. S. M. Vig Rs.23,000/-, Mr. Y. C. Papaiya Rs.23,000/-, Mr. C. K. Koshy Rs.1,000/-.

Besides the above payment, there is no other material pecuniary relationship or transaction by the Company with Non-Executive Directors.

V. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

Mr. Y. C. Papaiya is the Chairman of Shareholders' / Investors' Grievance Committee and Mr. S. M. Vig is the member of the Committee. The Secretary has been designated as the compliance officer.

During the year 56 complaints were received from Shareholders which were duly replied to / resolved. No complaint was pending as on 31st March, 2009.

VI GENERAL BODY MEETINGS:

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

Year	Location	Date	Time
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.
2007-08	Garden Mills Complex,Sahara Gate, Surat.	24/09/2008	10.30 a.m.

1. In the Annual General Meeting held on 31st August, 2006, a Special Resolution was passed in order to appoint the Auditors and fixing their remuneration.
2. In the Annual General Meeting held on 14th August, 2007, a Special Resolution was passed with regard to appoint and fixing of remuneration of Auditors.
3. There was Special Resolution passed on the Annual General Meeting held on 24th September, 2008.
4. In any of the 3 previous years, no Special Resolution was passed by postal ballot. As of date there lies no proposal to pass any resolution by postal ballot.

VII. DISCLOSURES:

- i) Disclosure on materially significant related party transactions:
Details of related party transactions during the year have been set out under Note 15 of the Schedule 11 of the Annual Accounts. These are not having any potential conflict with the interests of the Company at large.
- ii) Details of Non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any Statutory authorities on any matter related to Capital Markets:
All the requirements of the listing agreement with the Stock Exchanges as well as regulations and guidelines of SEBI have been complied with by the Company. No penalty has been imposed or stricture has been made by SEBI, Stock Exchanges or any Statutory Authorities on matters relating to Capital Markets during the last three years.
- iii) Whistle Blower Policy:
The Company does not have any Whistle Blower Policy as of now but no personnel is being denied any access to the Audit Committee.
- iv) Details of compliance with mandatory requirement and adoption of non-mandatory requirements:
All the mandatory requirement have been appropriately complied with.

CORPORATE GOVERNANCE REPORT (Contd.)

VIII. CODE OF CONDUCT:

The Company has framed a specific Code of Conduct for the members of the Board of Directors and Senior Management personnel of the Company.

A certificate from the Managing Director, affirming compliance of the said code is also annexed herewith.

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

X. 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.

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, Dhabkar (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.sebidifar.nic.in / Corporate Filing and Dissemination System (CFDS) portal, www.corpfiling.co.in.

XIII. General Shareholder Information:

(a) 63rd Annual General Meeting:

Date	:	Tuesday, 11th August, 2009.
Time	:	10:30 a.m.
Venue	:	Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395010.

(b) Financial Calendar (2009-10):

Results for the quarter ending June 30, 2009	:	July, 2009.
Results for the quarter ending September 30, 2009	:	October, 2009
Results for the quarter ending December 31, 2009	:	January, 2010
Results for the year ending March 31, 2010	:	April/June, 2010

(c) Book closure dates : Wednesday, 5th August, 2009 to Tuesday, 11th August, 2009. (Both days inclusive)

(d) Listing on Stock Exchanges : Stock Code

1. Ahmedabad Stock Exchange Limited, Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad 380015.	:	58110
2. Bombay Stock Exchange Limited, LPhiroze 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 2009-2010.

CORPORATE GOVERNANCE REPORT (Contd.)**(f) Market Price Data**

The High/Low market price of the shares during the year 2008-09 at the Bombay Stock Exchange (BSE) are as under.

Month	High (Rs.)	Low (Rs.)
April, 2008	N.A.*	N.A.*
May, 2008	N.A.*	N.A.*
June, 2008	7.20	3.50
July, 2008	4.64	3.47
August, 2008	4.38	3.26
September, 2008	3.98	2.50
October, 2008	3.00	1.82
November, 2008	3.30	2.11
December, 2008	2.69	2.01
January, 2009	2.35	1.54
February, 2009	2.10	1.56
March, 2009	2.15	1.15

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

(g) Registrar and Share Transfer Agents:

Karvy Computershare Private Limited
Unit: Surat Textile Mills Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur,
Hyderabad 500081

Tel : 040-23420815 to 24
Fax : 040-23420814
e-mail : einward.ris@karvy.com
http://www.karvy.com

(h) Share Transfer System:

All the share related work is being undertaken by the company's Registrar & Transfer Agent. A Share Transfer Committee of two Directors has been constituted to approve the share transfer, transmission, split, consolidation etc. of shares. The share transfers are registered and returned within 30 days from the date of receipt of its relevant documents are complete in all respect. The shareholders' investors' grievances are also taken up by our R&T agent.

(i) Distribution of shareholding as on 31st March 2009:

Sr.No.	Category of Members	No. of Shares held	% of total Shares
1.	Promoters.	182120465	82.01
2.	Indian Public.	16675206	7.51
3.	Banks, Financial Institutions & Insurance Companies.	20715480	9.33
4.	NRI's / OCB's.	85671	0.04
5.	Bodies Corporate.	1805572	0.81
6.	Trusts & HUFs	636630	0.29
7	Others (NSDL+CDSL) Clearing Members	25416	0.01
	TOTAL.	222064440	100.00

CORPORATE GOVERNANCE REPORT (Contd.)

(j) **Categorywise Summary of Holders / Holdings as on 31st March, 2009:**

No. of Equity Shares	No. of Shareholders	% of total Shareholders	No. of Shares held	% of total Shares
1 – 5000	40219	98.82	11178972	5.03
5001 – 10000	264	0.65	2086124	0.94
10001 – 20000	110	0.27	1588943	0.72
20001 – 30000	45	0.11	1153852	0.52
30001 – 40000	13	0.03	449027	0.20
40001 – 50000	8	0.02	360118	0.16
50001 – 100000	16	0.04	1103629	0.50
100001 & above	23	0.06	204143775	91.93
TOTAL	40698	100.00	222064440	100.00

(k) **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.

(l) **Dematerialisation of Shares:**

69537737 Equity Shares aggregating to 31.32% of the total Equity Capital is held in dematerialized form as on 31.03.2009 of which 29.35% (65165945 Equity Shares) of total equity capital is held with NSDL and 1.97% (4371792 Equity Shares) of total equity capital is held with CDSL as on 31.03.2009.

(m) **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.

(n) **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 : Karvy Computershare Private Limited
Unit: Surat Textile Mills Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad 500081
Tel.No.: 040-23420815 to 24
Fax No.: 040-23420814
e-mail : einward.ris@karvy.com
http://www.karvy.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.

(o) **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.

CORPORATE GOVERNANCE REPORT *(Contd.)***(p) 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.

(q) 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.

The Company has complied with all the mandatory requirements of Clause 49 and has also complied with one of the non-mandatory requirement viz. setting up of the Remuneration Committee.

**Annexure to Corporate Governance Report
of Surat Textile Mills Limited**

Declaration regarding Affirmation of Code of Conduct

In terms of the requirement of the amended Clause 49 of the Listing Agreement, this is to confirm that all members of the Board and the senior management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2009.

Place: Surat
Date: 30th June, 2009

M. R. Momaya
Wholetime Director

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 the Company for the year ended on 31st March, 2009 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement 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) there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditor and the Audit Committee, deficiencies in the design or operation of such 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 that there are no:
 - (i) significant changes in the internal control over financial reporting during the year;
 - (ii) Significant changes in accounting policies 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 of Directors

M. R. Momaya
Wholetime Director

Surat, 30th June, 2009

**Certificate on compliance with the Corporate Governance requirements
under Clause 49 of Listing Agreement**

To, the Members of Surat Textile Mills Limited

We have examined the compliance of conditions of Corporate Governance by Surat Textile Mills Limited for the year ended on 31st March, 2009, as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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, and the representation made by the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We further 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 NATVARLAL VEPARI & CO.
Chartered Accountants

R. N. VEPARI
Partner

Membership Number: 6728

Surat, 30th June, 2009

AUDITORS' REPORT

To, the members of
Surat Textile Mills Limited,

1. We have audited the attached Balance Sheet of Surat Textile Mills Limited as at 31st March, 2009, the Profit and Loss Account and also the Cash-flow statement for the year ended on that date alongwith the notes thereof 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 the 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.
 3. 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.
 4. Further to our comments in the Annexure referred to in paragraph 3 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 those books;
 - (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;
- (d) ***there has been non provision to recognize diminution in the value of long-term investments amounting to Rs.1030.54 Lacs, which 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.*** This can be referred at note no. 1(e) of Schedule 11 to the financial statements. Subject this, in our opinion, the Balance Sheet, Profit and Loss Account and Cash-flow Statement dealt with by the report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) ***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;***
 - (f) Subject to the matter referred in para 4(d) above, in our opinion, and to the best of our information, and according to the explanations given to us, the said financial statements, read with the significant accounting policies and notes thereon, 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:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - 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

Surat: 30th June, 2009.

Membership No. 6728

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) (a) In respect of fixed assets, the Company has maintained proper records showing full particulars including quantitative details and situation in most cases of such assets.
- (b) Physical verification of fixed assets was carried out during the year by the Management, at a reasonable intervals in a phased verification programme, 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, no material discrepancies were noticed on such verification;
- (c) During the year, the Company has not disposed of substantial 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 is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and book records were not material;
- (iii) According to the information and explanations given to us, the Company has not granted or taken loans to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, requirements of clauses (iii.a) to (iii.g) of paragraph 4 of the 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 audit, we have not observed any continuing failure to correct major weakness in internal control system.
- (v) To the best of our knowledge and belief, and according to the information and explanations given to us, we are of the opinion that there are no contracts and arrangements, the particulars of which needed to be entered into the register maintained under section 301 of the Companies Act, 1956. Consequently, the requirements of clause (v.b) of paragraph 4 of the Order are not applicable to the Company.
- (vi) The Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956, where applicable, and the Rules framed there under. To the best of our knowledge and belief, and according to the information and explanations given to us, no order on the Company under aforesaid section has been passed by the Company Law Board or National Company Laws Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- (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 prescribed by the Central Government for the Maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956 in relation to products manufactured by the Company viz. textiles, and are of the opinion that *prima facie* the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of records with a view to determining whether they are accurate and complete.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company is generally regular in depositing undisputed statutory dues including those relating to provident fund, investors education and protection fund, employees' state insurance, income tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, where applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2009 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 4(d) of Audit Report, (a) the accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth; (b) the company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its banks. The Company did not have any outstanding loans from financial institution during the year.
- (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 did not have any term loans outstanding during the year.
- (xv) 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 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) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.
- Having regard to the nature of the Company's business / activity and financial position, sub clauses (xiii), (xiv), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable for the current year.

For NATVARLAL VEPARI & CO.
Chartered Accountants

R. N. VEPARI
Partner

Surat: 30th June, 2009.

Membership No.6728

BALANCE SHEET AS AT 31ST MARCH, 2009

		(Rs. in Lacs)	
	Schedule	As at 31st March 2009	As at 31st March 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	2,220.64	2,220.64
Reserves and Surplus	2	228.31	0.00
		<u>2,448.95</u>	<u>2,220.64</u>
Loan Funds			
Unsecured Loans	3	3,200.00	3,200.00
TOTAL		<u><u>5,648.95</u></u>	<u><u>5,420.64</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	18,532.77	18,370.89
Less :Depreciation		16,136.08	16,609.26
Net Block		2,396.69	1,761.63
Capital Work-in-Progress		144.53	147.48
		<u>2,541.22</u>	<u>1,909.11</u>
Investments			
	5	1,262.04	1,262.04
Current Assets, Loans and Advances			
Inventories	6	1,490.19	2,531.05
Sundry Debtors		380.75	868.92
Cash and Bank Balances		517.22	168.55
Loans and Advances		390.10	221.05
		<u>2,778.26</u>	<u>3,789.57</u>
Less: Current Liabilities and Provisions			
Current Liabilities	7	847.77	1,929.84
Provisions		84.80	2.80
		<u>932.57</u>	<u>1,932.64</u>
Net Current Assets		<u>1,845.69</u>	<u>1,856.93</u>
Profit and Loss Account		<u>0.00</u>	<u>392.56</u>
TOTAL		<u><u>5,648.95</u></u>	<u><u>5,420.64</u></u>
Significant Accounting policies and Notes forming part of the Accounts.	11		

As per our attached report of even date

For **NATVARLAL VEPARI & CO.**
*Chartered Accountants***R. N. VEPARI**
Partner
Membership No.6728

Surat, 30th June, 2009

For and on behalf of the Board of Directors

M. R. MOMAYA
*Whole-time Director***S. M. VIG**
*Director***Y. C. PAPAIYA**
*Director***C. S. PUNJABI**
Secretary

Surat, 30th June, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	<u>Schedule</u>	(Rs. in Lacs) <u>2008-2009</u>	<u>2007-2008</u>
INCOME			
Sales and Job Charges		17,521.73	9,547.39
Less :Excise Duty on Sales		1,095.60	597.04
Net Sales		16,426.13	8,950.35
Other Income	8	152.98	77.13
		16,579.11	9,027.48
EXPENDITURE			
Consumption of Raw Materials		11,992.63	5,793.95
(Increase)/Decrease in Stock	9	275.87	(178.20)
Excise Duty (Refer Note No. 8 in Schedule 11)		(30.02)	26.41
Manufacturing and Other Expenses	10	3,447.80	3,045.41
Interest and Finance Charges (Net) (Refer Note No.4 in schedule 11)		7.67	125.09
Depreciation		182.29	183.88
		15,876.24	8,996.54
PROFIT BEFORE TAX		702.87	30.94
Provision for tax			
- Current Tax / MAT		80.00	0.00
- Fringe Benefit Tax		2.00	0.90
PROFIT AFTER TAX		620.87	30.04
Balance brought forward from Previous year		(392.56)	(15,122.35)
Effect of Rehabilitation Scheme:			
Reduction of Share Capital		0.00	6,035.80
Securities Premium A/c.- Adjustment of loss		0.00	4,409.91
Capital Reserve A/c.- Adjustment of loss		0.00	153.61
Capital Redemption Reserve A/c. - Adjustment of loss		0.00	10.00
Secured Loans - balance waived		0.00	4,094.38
Share Forfeiture A/c. - unpaid allotment monies and calls in arrears written off.		0.00	(3.95)
Balance carried to Balance sheet		228.31	(392.56)
Basic and diluted earning per share (in Rs.) (Refer Note No.14 in schedule 11)		0.28	0.04
Significant Accounting policies and Notes forming part of the Accounts.	11		

As per our attached report of even date

For **NATVARLAL VEPARI & CO.**
*Chartered Accountants***R. N. VEPARI**
Partner
Membership No.6728

Surat, 30th June, 2009

For and on behalf of the Board of Directors

M. R. MOMAYA
Whole-time Director
S. M. VIG
Director
Y. C. PAPAIIYA
Director
C. S. PUNJABI
Secretary

Surat, 30th June, 2009

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in Lacs)

	As at 31st March 2009	As at 31st March 2008
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
75,00,00,000 (75,00,00,000) Equity Shares of Rs.1/- each	7,500.00	7,500.00
Issued Subscribed and Paid up		
22,20,64,440 (6,70,64,440) Equity shares of Rs.1/- each fully paid up	2,220.64	670.64
Add: Nil (15,50,00,000) Equity Shares of Rs.1/- each fully paid up Issued in terms of the Rehabilitation Scheme (Refer Note No.11 in schedule 11)	0.00	1,550.00
TOTAL	2,220.64	2,220.64

SCHEDULE 2 : RESERVES AND SURPLUS

Capital Reserve		
As per last Balance Sheet	0.00	153.61
Less:Transfer to Profit and Loss A/c.	0.00	153.61
	0.00	0.00
Capital Redemption Reserve		
As per last Balance Sheet	0.00	10.00
Less:Transfer to Profit and Loss A/c .	0.00	10.00
	0.00	0.00
Securities Premium Account		
As per last Balance Sheet	0.00	4,409.91
Less:Transfer to Profit and Loss A/c .	0.00	4,409.91
	0.00	0.00
Balance in Profit and Loss Account	228.31	0.00
TOTAL	228.31	0.00

SCHEDULE 3 : UNSECURED LOANS

Trade Deposit	300.00	300.00
Soft loan from promoters	2,900.00	2,900.00
TOTAL	3,200.00	3,200.00

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**SCHEDULE 4 : FIXED ASSETS**

(Rs. in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2008	Additions during the Year	Adjustment during the Year	Total	As at 01/04/2008	For the Year	Adjustment during the Year	Total	As at 31/03/2009	As at 31/03/2008
1	2	3	4	5	6	7	8	9	10	11
Land	711.84	905.46	370.65	1,246.65	482.14	0.00	282.25	199.89	1,046.76	229.70
Building	3,104.87	0.00	0.00	3,104.87	2,428.21	36.13	0.00	2,464.34	640.53	676.66
Plant & Machinery	14,491.42	0.32	381.43	14,110.31	13,655.16	143.76	373.22*	13,425.70	684.61	836.26
Furniture & Equipment	55.80	1.27	0.00	57.07	42.22	1.59	0.00	43.81	13.26	13.58
Vehicles	6.96	6.91	0.00	13.87	1.53	0.81	0.00	2.34	11.53	5.43
Total	18,370.89	913.96	752.08	18,532.77	16,609.26	182.29	655.47	16,136.08	2,396.69	1,761.63
Previous Year	18,367.06	3.83	0.00	18,370.89	16,425.38	183.88	0.00	16,609.26	1,761.69	1,941.68
Capital Work-in-Progress									144.53	147.48

* includes assets impairment provided in earlier years.

(Rs. in Lacs)

As at 31st March 2009	As at 31st March 2008
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SCHEDULE 5 : 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	231.49	306.12

(Refer Note No.12 in Schedule 11)

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	(Rs. in Lacs)	
	As at 31st March 2009	As at 31st March 2008
SCHEDULE 6 : CURRENT ASSETS LOANS AND ADVANCES		
A Current Assets		
Inventories (As taken, valued and certified by the Management) :		
Stores and Spares and Chemicals	99.16	194.30
Finished Goods	499.36	773.85
Process Stock	217.59	218.97
Raw Materials	334.13	188.38
Property under Development (Includes Land at revalued cost.)	251.55	1,155.55
Stock in trade (Land at Vareli) (Refer Note No.7 in Schedule 11)	88.40	0.00
	<u>1,490.19</u>	<u>2,531.05</u>
Sundry Debtors :		
Exceeding six months	108.98	91.17
Others	348.98	777.75
	<u>457.96</u>	<u>868.92</u>
Less: Provision for Doubtful Debts	77.21	0.00
TOTAL	<u><u>380.75</u></u>	<u><u>868.92</u></u>
Note,		
Considered Good	380.75	868.92
Considered Doubtful	77.21	0.00
	<u>457.96</u>	<u>868.92</u>
Cash and Bank Balances :		
Cash on hand	5.43	9.76
Balances with scheduled banks		
- in current accounts	479.90	150.85
- in fixed deposit accounts	2.95	2.88
- in margin money accounts	28.94	5.06
	<u>517.22</u>	<u>168.55</u>
B Loans & Advances		
(Unsecured, Considered Good)		
Advances & Loans to Subico Investments, (a Partnership firm in which the Company is a Partner)	0.28	0.21
Advance Recoverable in cash or in kind or for value to be received	310.99	179.50
Balance with Customs, Central Excise, & Sales Tax Authorities, etc.	60.75	30.79
Advance Income Tax (including tax deducted at source)	18.08	10.55
	<u>390.10</u>	<u>221.05</u>
TOTAL	<u><u>2,778.26</u></u>	<u><u>3,789.57</u></u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	(Rs. in Lacs)	
	As at 31st March 2009	As at 31st March 2008
SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry creditors:		
Dues of Micro, Medium and Small Enterprises (Refer Note No.10 in schedule 11)	6.33	3.28
Other Liabilities	639.30	1,783.14
Advance payments and unexpired discounts for the portion for which value has still to be given.	<u>202.14</u>	<u>143.42</u>
	847.77	1,929.84
B. Provisions		
For Current tax	80.00	0.00
For fringe benefit tax	4.80	2.80
TOTAL	<u>932.57</u>	<u>1,932.64</u>

	(Rs. in Lacs)	
	<u>2008-2009</u>	<u>2007-2008</u>
SCHEDULE 8 : OTHER INCOME		
Rent Income	64.07	64.05
Profit on sale of machinery	57.27	0.00
Interest Income (Tax deducted on Interest income Rs.2.53 Lacs)	22.88	0.00
Dividend Income	8.74	8.62
Miscellaneous Income.	<u>0.02</u>	<u>4.46</u>
TOTAL	<u>152.98</u>	<u>77.13</u>

	(Rs. in Lacs)	
	<u>2008-2009</u>	<u>2007-2008</u>
SCHEDULE 9 : (INCREASE) / DECREASE IN STOCK		
Opening Stock		
Process Stock	218.97	439.60
Finished Goods	<u>773.85</u>	<u>375.02</u>
	992.82	814.62
Less: Closing Stock		
Process stock	217.59	218.97
Finished Goods	<u>499.36</u>	<u>773.85</u>
	716.95	992.82
(Increase) / Decrease In Stock	<u>275.87</u>	<u>(178.20)</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

	(Rs. in Lacs)	
	<u>2008-2009</u>	<u>2007-2008</u>
SCHEDULE 10 : MANUFACTURING AND OTHER EXPENSES :		
Consumption of Stores, Spare parts & Chemicals etc.	637.54	503.38
Packing Expenses	95.16	128.31
Power and Fuel	1,927.57	1,718.59
Rent ,Rates and Taxes	120.36	114.60
Repairs and Maintenance :		
Plant & Machinery	20.36	56.52
Buildings	0.48	1.69
Others	0.68	9.64
Payments to and Provision for Employees :		
Salaries, Wages and Bonus	320.67	323.11
Contribution to Provident and Other Funds	24.18	23.28
Staff Welfare Expenses	8.75	1.31
Gratuity	10.16	12.34
	363.76	360.04
Insurance	11.28	15.99
Auditors' Remuneration	2.86	3.16
Share of loss in partnership firm	0.03	0.03
Provision for doubtful debts and bad debts written off.	78.65	0.00
General Charges	130.66	78.44
Selling and Distribution Expenses	58.41	55.02
TOTAL	<u>3,447.80</u>	<u>3,045.41</u>

SCHEDULE 11 : NOTES FORMING PART OF THE ACCOUNTS

1 SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Preparation of Financial Statements.

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of The Companies Act, 1956. The Company follows the mercantile system of accounting and recognizes Income and Expenditure on accrual basis. Accounting policies not referred to otherwise are consistent with the generally accepted accounting principles.

(b) Fixed Assets

Fixed Assets are recorded at cost of acquisition or construction, net of CENVAT / VAT and include amounts added / reduced on revaluation, less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of fixed assets up to the date of commissioning of the assets and other incidental expenses incurred up to that date. Fixed Assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in project cost till commissioning of the project. Projects under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

(c) Depreciation

Depreciation on fixed assets has been provided in accordance with the provision of Section 205(2) read with Section 350 of the Companies Act, 1956 except:

- (i) in respect of depreciation on assets purchased up to 1984, has been provided as per written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956, as amended from time to time.
- (ii) in respect of assets purchased during the year 1985 and 1986, depreciation has been provided as per straight-line method at the rates corresponding to the rates applicable under Income-tax Rules at that time.
- (iii) in respect of assets purchased during the year 1987 and onwards, depreciation has been provided as per straight-line method at the rates and in the manner prescribed by Schedule XIV of 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 Accountants 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 Cash Generating Unit. 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. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

(e) Investments

Long-term investments are carried at cost. Provision is made to recognize a diminution, other than temporary, in the carrying amount of long term investments.

(f) Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard (AS2) on valuation of inventories using weighted average cost method. Inventories are specifically identified, wherever possible in respect of traded goods. Cost is determined on the following basis:

- (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) Land at Vareli is valued at book cost.

(g) Sales :

Sales include sale value of goods and is net of returns, Discount, Rate Difference and Sales Tax / VAT etc. Sales also include, sales of scrap, waste, reject etc. and profits from property held as stock in trade.

SCHEDULE 11 : NOTES FORMING PART OF THE ACCOUNTS (Contd.)**(h) Accounting for Excise Duty :**

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 & uncleared goods 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 issued by The Institute of Chartered Accountants of India. 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.

(i) Cenvat.

- (i) The purchase cost of raw materials and other expenses has been considered net of cenvat available on inputs.
- (ii) The cenvat benefits attributable to acquisition / construction 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.

(j) Expenses

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

(k) Retirement Benefits :

Contributions are made to Provident Fund as per the Provident Fund Act. Contribution to Gratuity Fund are made on the basis of actuarial valuation report as at the year end. Leave encashment benefit has been provided in accordance with the accounting standard AS-15 "Employee Benefits". These obligations are unfunded.

(l) Borrowing Cost

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

(m) Taxation

Income-tax expense comprises current tax / MAT. The deferred tax asset and deferred tax liability are calculated by applying tax rate and tax laws that have been enacted at the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realisation.

2 With the implementation of the sanctioned Rehabilitation Scheme, during the year, the Company has generated sufficient returns to wipe out all its accumulated losses and to make its net worth positive. Accordingly, the accounts of the Company are prepared on Going Concern Basis.

3 During the year, the Company has changed the method of valuation of inventories from "First-in-First-out" (FIFO) basis to "weighted average" basis. Had the Company not opted for change the profit for the year (PBT) would have been higher by Rs. 26.63 lacs.

4 Interest and Finance Charges (net)

(Rs. in Lacs)

	<u>2008-2009</u>	<u>2007-2008</u>
Interest expenses	3.31	33.82
Finance charges	4.36	107.82
	<u>7.67</u>	141.64
Less: Interest & other finance Income	0.00	16.55
(Tax deducted on Interest income Rs.1.27 lacs in Previous year)		
TOTAL	<u><u>7.67</u></u>	<u><u>125.09</u></u>

5 Provision for tax has been made as per Income-Tax Act, 1961.

6 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.

SCHEDULE 11 : NOTES FORMING PART OF THE ACCOUNTS (Contd.)

- 7 During the year 73664 Sq.Mtrs. of land at Village Vareli, Taluka Palsana, Dist. Surat has been converted to stock in trade at book value. The Company has also converted 22637 Sq.Mtrs. of land at Varachha Road from "Property under development" to Fixed Assets at book value.
- 8 Excise duty deducted from sales and job charges represents excise duty collected on sale of goods. Excise duty shown under 'expenditure' represents the difference between excise duty on opening and closing uncleared stocks of finished goods.
- 9 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.
- 10 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, 2009. 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.
- 11 In accordance with the Rehabilitation Scheme sanctioned in January, 2008 by the Board for Industrial & Financial Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act, 1985, in the previous year, the Company has complied with the directions of BIFR and has successfully implemented the directives with respect to settlement of debt through one time settlement (OTS) with the secured lenders, write down of share capital and issue of shares on a preferential basis in favour of the promoters / promoter group for an amount aggregating to Rs.15.50 crores in addition to the soft loan of Rs.29.00 crores by the promoters to the Company.
- 12 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 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 the Company in Garden Silk Mills Limited is considered to be temporary.
- 13 Liability for employer 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

(Rs. in Lacs)

A. Amount To Be Recognised in Balance Sheet

	As at 31st March 2009	As at 31st March 2008	As at 31st March 2009	As at 31st March 2008
	Gratuity (Unfunded)	Gratuity (Unfunded)	Leave encashment (Unfunded)	Leave encashment (Unfunded)
Present value of Unfunded Obligations Amounts appearing in Balance Sheet	40.17	36.53	25.76	20.78
Liability	40.17	36.53	25.76	20.78
Assets	0.00	0.00	0.00	0.00
Net Liability	40.17	36.53	25.76	20.78

B. Expenses Recognised in the Profit & Loss A/c

Total, included in "Payments to and provision for Employees" (Refer Schedule 10)

10.15	12.33	15.38	22.92
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C. Actuarial Assumptions

Discount Rate (Per Annum)	8%	8%	8%	8%
Rate of Escalation in Salary (Per Annum)	4%	4%	4%	4%
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)

- 14 Earning per share : (AS - 20)

	2008-2009	2007-2008
Net Profit as per profit and loss account. (Rs in Lacs)	620.87	30.04
Weighted average number of Equity shares outstanding	222,064,440	81,078,139
Basic and diluted earning per share. (in Rs.)	0.28	0.04
Face Value	Rs.1/- per Share	Rs.1/- per Share

SCHEDULE 11 : NOTES FORMING PART OF THE ACCOUNTS (Contd.)

15 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 (Whole time 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 (Rs. In lacs)	Nature of Transactions	Balance outstanding as on 31/03/09 (Rs. In lacs)
1 Subico Investment	Partner	0.03 (0.03)	Share of Loss	
		0.10 (0.00)	Given on Account	0.28 (0.21)
2 Garden Silk Mills Ltd.	Associated Company	2572.28	Purchases	
		1778.23	Electric Power & Utility Exps.	
		90.00	Rent Paid	
		5.01	Telephone Bills & Other Exps.	
		11402.95	Sales	
		270.54	Job Charges Income	
		64.05	Rent Income	
		12086.71	Receipt under current a/c	
		5616.40	Payment under current a/c	43.39 (865.10)

Note : Figures in bracket pertains to previous year.

		(Rs. in Lacs)	
		2008-2009	2007-2008
16	Payment to auditors:		
(i)	Audit Fees	2.15	2.15
(ii)	Tax audit fees	0.40	0.40
(iii)	Cost audit fees	0.31	0.61
		2008-2009	2007-2008
17	(a) Licensed Capacity	N.A.*	N.A.*
	* Delicensed Vide Notification No. 477(E) dt.27th July,1991.		
		Unit	
		2008-2009	2007-2008
(b)	Installed Capacity		
	Spindles (Cotton Spinning)	Nos. 29,728	29,728
	Polyester Chips	TPA 25,000	25,000
	Polyester Filament Yarn	TPA 5,000	5,000
	Spindles (Synthetic Fiber Spinning)	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.		
		Unit	
		2008-2009	2007-2008
(c)	Production (Not including products procured on Job work)		
	Spun Yarn	Kgs. 757,118	1,037,647
	Polyester Filament Yarn	Kgs. 7,141,606	7,660,624
	Polyester Chips	Kgs. 24,541,971	22,585,154
	Methanol	Kgs. 21,240	818,574

SCHEDULE 11 : NOTES FORMING PART OF THE ACCOUNTS (Contd.)

18 (a) Turnover	Unit	2008-2009		2007-2008	
		Qty.	Rs .in Lacs	Qty.	Rs .in Lacs
M.E.G.	Kgs.	91,295	34.13	26,300	16.47
D.M.T.	Kgs.	0	0.00	5,000	2.09
Spun Yarn	Kgs.	797,456	1,167.40	1,015,650	1,722.73
Polyester filament Yarn	Kgs.	7,463,214	6,556.70	7,351,931	6,293.22
Polyester Chips	Kgs.	15,187,265	9,604.39	505,122	335.10
Spin finish oil	Kgs.	4,000	4.93		
Others	Mtrs & Kgs.			0	
		356,393	99.26	1,094,589	131.68
(b) Consumption of Raw Materials					
D.M.T.	Kgs.	0	0.00	1,241,000	561.76
M.E.G.	Kgs.	6,816,327	2,525.77	1,611,907	770.83
P.T.A.	Kgs.	16,955,000	6,875.04	2,367,200	881.21
Polyester Chips	Kgs.	2,943,070	1,820.01	3,813,050	2,340.54
Cotton & Fibers	Kgs.	777,932	674.24	932,079	836.46
Spun Yarn	Kgs.	4,639	12.37	138,300	345.78
Spin finish oil	Kgs.	69,884	85.20	60,100	57.38
			11,992.63		5,793.95
(c) Opening Stock					
Finished Goods					
Spun Yarn	Kgs.	104,354	170.90	81,073	134.85
Polyester filament Yarn	Kgs.	401,268	314.59	92,628	74.37
Polyester Chips	Kgs.	429,475	278.46	189,025	150.48
Cloth	Mts.	3,280	1.38	3,280	1.38
Others	Kgs.	29,925	8.52	60,800	13.94
(d) Closing stock					
Finished Goods					
Spun Yarn	Kgs.	63,621	100.25	104,354	170.90
Polyester filament Yarn	Kgs.	79,661	52.86	401,268	314.59
Polyester Chips	Kgs.	688,598	341.68	429,475	278.46
Cloth	Mts.	0	0.00	3,280	1.38
Others	Kgs.	43,799	4.57	29,925	8.52
19 Value of imported and indigenous Raw Material, Stores, Spare parts, Components & Chemicals consumed					
			2008-2009		2007-2008
		%	Rs. in Lacs	%	%
(a) Raw Materials					
Imported		0.60	72.53	0.78	45.30
Indigenous		99.40	11,920.10	99.22	5,748.65
		100.00	11,992.63	100.00	5,793.95
(b) Stores, Spare parts, Component and Chemicals consumed					
Imported		81.95	522.49	67.81	341.32
Indigenous		18.05	115.05	32.19	162.06
		100.00	637.54	100.00	503.38
20 (a) CIF Value of Imports				2008-2009	2007-2008
(i) Raw Material				99.90	36.17
(ii) Stores, Spare parts, Components & Chemicals				276.49	252.52
(b) Earnings in Foreign currency.					
FOB Value of Export				136.57	0.00
21 Previous year's figures have been regrouped wherever necessary to conform to current years classification.					
22 Additional information pursuant to Part-IV of Schedule VI to the Companies Act, 1956 is as per Annexure - A.					

Signature to Schedules "1" to "11"

As per our attached report of even date

For and on behalf of the Board of Directors

For **NATVARLAL VEPARI & CO.**
Chartered Accountants**R. N. VEPARI**
Partner
Membership No.6728**M. R. MOMAYA**
Whole-time Director
S. M. VIG
Director
Y. C. PAPAIA
Director
C. S. PUNJABI
Secretary

Surat, 30th June, 2009

Surat, 30th June, 2009

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. State Code Balance Sheet Date.

Date Month Year

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

Public Issue

Bonus Issue

Right Issue

Private Placement

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

Total Liabilities

Total Assets

 Sources of Funds

Paid-Up Capital

Secured Loans

Reserves & Surplus

Unsecured Loans

 Application of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Investments

Misc. Expenditure

4 Performance of Company (Amount in Rs. Thousand)

Turnover (Gross Revenue)

Total Expenditure

+ - Profit/Loss Before Tax

* + - Profit/Loss After Tax

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

Earning Per Share in Rs.

Dividend Rate %

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

Item code No. (ITC Code) Product Description Item code No. (ITC Code) Product Description Item code No. (ITC Code) Product Description

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 and on behalf of the Board of Directors

For **NATVARLAL VEPARI & CO.**
Chartered Accountants**R. N. VEPARI**
Partner

Membership No.6728

Surat, 30th June, 2009

M. R. MOMAYA
Whole-time Director
S. M. VIGDirector
Y. C. PAPAIYA
Director**C. S. PUNJABI**
Secretary

Surat, 30th June, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009

	(Rs. in lacs)	
	Year ended 31st March, 2009	Year ended 31st March, 2008
A. Cash Flow from Operating Activities		
Net Profit before tax.	702.87	30.94
Adjustments for		
Depreciation	182.29	183.88
Interest and Finance Charges	7.67	125.09
Interest Income	(22.88)	0.00
Profit/(Loss) on sale of fixed Assets	(57.27)	0.00
Provision for doubtful Debts & Bad Debts written off	78.65	(2.98)
Dividend Income	(8.74)	(8.62)
Operating Profit before Working Capital Changes.	<u>882.59</u>	<u>297.37</u>
Adjustments for		
Decrease/(Increase) in Trade & Other Receivables	251.37	(89.86)
(Increase)/decrease in Inventories	223.80	(217.00)
(Decrease)/Increase in Trade Payables	(1,082.07)	190.45
Cash Generated from Operations	<u>275.69</u>	<u>211.90</u>
Direct Taxes (Paid)/Refund.	(5.00)	(4.05)
Net Cash Flow from Operating Activities	<u><u>270.69</u></u>	<u><u>207.85</u></u>
B. Cash Flow From Investing Activities		
Purchase of fixed Assets	(8.50)	(3.83)
Decrease in Advance for Fixed Assets	2.95	0.00
Sale of Fixed Assets	65.48	0.00
Dividend Income	8.74	8.62
Loan to other Companies / Firms.	(0.07)	0.04
Net Cash Flow from Investing Activities	<u><u>68.60</u></u>	<u><u>4.83</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2009 (Contd.)

	(Rs. in lacs)	
	<u>Year ended 31st March, 2009</u>	<u>Year ended 31st March, 2008</u>
C. Cash Flow From Financial Activities		
Proceeds from issue of shares to Promoters	0.00	1,550.00
Allotment & Calls Money in arrears received	0.00	0.32
Forfeited shares reissued	0.00	0.21
Proceeds from Borrowings	0.00	2,210.00
Repayment of Debentures	0.00	(3,543.00)
Repayment of Borrowings	0.00	(418.41)
Interest & Other Finance Income \ Charges	<u>9.38</u>	(126.17)
Net Cash Flow from Financial Activities	<u>9.38</u>	<u>(327.05)</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	348.67	(114.37)
Opening Balance of Cash and Cash Equivalents	168.55	282.92
Closing Balance of Cash and Cash Equivalents	517.22	168.55

As per our attached report of even date

For **NATVARLAL VEPARI & CO.**
*Chartered Accountants***R. N. VEPARI**
Partner
Membership No.6728

Surat, 30th June, 2009

For and on behalf of the Board of Directors

M. R. MOMAYA
Whole-time Director
S. M. VIG
Director
Y. C. PAPAIYA
Director
C. S. PUNJABI
Secretary

Surat, 30th June, 2009

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 THIRD ANNUAL GENERAL MEETING to be held on Tuesday, the 11th day of August, 2009 at 10:30 a.m. or
at any adjournment thereof.

Ledger Folio No. _____

DP ID * : _____

Client ID * : _____

No. of Shares held _____

Signed this _____ day of _____, 2009.

(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 the Proxy
(IN BLOCK LETTERS) : _____

(To be filled in if Proxy attends instead of the Member)

I hereby record my presence at the **SIXTY THIRD ANNUAL GENERAL MEETING** of the Company at Garden Mills' Complex, Sahara Gate, Surat 395010, on Tuesday, the 11th day of August, 2009 at 10:30 a.m.

Ledger Folio No. _____

DP ID * : _____

Client ID * : _____

No. of Shares held _____

* Applicable for the members holding shares in electronic form.

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



BOOK-POST

If undelivered, please return to :

Surat Textile Mills Limited

Garden Mills' Complex,

Sahara Gate,

SURAT - 395 010.