



SURAT TEXTILE MILLS LIMITED

ANNUAL REPORT  
2009-2010

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

M. R. Momaya	Managing Director
Shilpa P. Shah	Executive Director *
S. M. Vig	Director
Y. C. Papaiya	Director

\* w.e.f. 1st June, 2010

### AUDITORS

Messrs Natvarlal Vepari & Co.,  
Chartered Accountants, Surat.

### BANKERS

Bank of Baroda

### REGISTERED OFFICE

Garden Mills' Complex,  
Sahara Gate,  
Surat 395 010

### MANUFACTURING FACILITIES

- i. Village Vareli,  
Taluka Palsana,  
Dist. Surat 394327  
Tel.No. (02622) 276046.
- ii. Village Jolva, Taluka Palsana,  
Dist. Surat 394305  
Tel.No.(02622) 273287, 273289
- iii. 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](mailto: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.”)

**64th Annual General Meeting on Wednesday, 28th July, 2010 at 10.30 a.m.  
at the Registered Office of the company.**

## NOTICE

Notice is hereby given that the **Sixty-fourth Annual General Meeting** of the Members of SURAT TEXTILE MILLS LIMITED will be held on **Wednesday, 28th July, 2010 at 10.30 a.m.** at the Registered Office of the Company at **Garden Mills' Complex, Sahara Gate, Surat 395 010**, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S. M. Vig, 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.

### SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution, as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable Sections of the Companies Act 1956 ("the Act"), read with and in accordance with the conditions specified in Schedule XIII thereto as amended up-to date, including any statutory modification(s) or re-enactment thereof, for the time being in force, approval of the Members of the Company be and is hereby accorded to the re-appointment of Mr. M.R. Momaya, as Whole-time Director designated as Managing Director of the Company, for a period of 5 (five) years with effect from 11th December, 2010, on the terms and conditions including remuneration as set out in the Explanatory Statement as annexed to the Notice of this meeting and the draft agreement to be entered between the Company and Mr. M.R. Momaya, placed before this Meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors of the Company (hereinafter referred to as the 'Board' which terms shall be deemed to include any Committee constituted by the Board including the Remuneration Committee) to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mr. M.R. Momaya), in such manner as may be agreed to between the Board and Mr. M.R. Momaya, provided however, that the remuneration payable to Mr. M.R. Momaya shall not exceed the limits specified in the said agreement and the limits prescribed under Schedule XIII to the Act including any amendment, modification(s), variation or re-enactment thereof.

**RESOLVED FURTHER THAT** in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mr. M.R. Momaya, the remuneration payable to Mr. M. R. Momaya by way of salary, allowances, commission and perquisites and other benefits shall be the minimum remuneration as specified above, subject to the overall ceiling prescribed under Paragraph A of Section II of Part II of Schedule XIII to the Act.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said re-appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its power herein conferred to any director(s) and/or officer(s) of the Company, to give effect to this resolution."

5. To consider, and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mrs. Shilpa P. Shah, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 28th April, 2010 and who holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act, proposing her candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider, and if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 310, 311 and all other applicable Sections of the Companies Act 1956 ("the Act"), read with and in accordance with the conditions specified in Schedule XIII thereto as amended up-to date, including any statutory modification(s) or re-enactment thereof, for the time being in force, approval of the Members of the Company be and is hereby accorded to the appointment of Mrs. Shilpa P. Shah as Whole-time Director designated as Executive Director of the Company, for a period of 5 (five) years with effect from 1st June, 2010, on the terms and conditions including remuneration as set out in the Explanatory Statement as annexed to the Notice of this meeting and the draft agreement to be entered between the Company and Mrs. Shilpa P. Shah, placed before this Meeting and initialed by the Chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors of the Company (hereinafter referred to as the 'Board' which terms shall be deemed to include any Committee constituted by the Board including the Remuneration Committee) to

**NOTICE (Contd.)**

alter and vary the terms and conditions of the said appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mrs. Shilpa P. Shah), in such manner as may be agreed to between the Board and Mrs. Shilpa P. Shah, provided however, that the remuneration payable to Mrs. Shilpa P. Shah shall not exceed the limits specified in the said agreement and the limits prescribed under Schedule XIII to the Act, including any amendment, modification(s) variation, or re-enactment thereof.

**RESOLVED FURTHER THAT** in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Mrs. Shilpa P. Shah, the remuneration payable to her by way of salary, allowances, commission and perquisites and other benefits shall be the minimum remuneration as specified above, subject to the overall ceiling prescribed under Paragraph A of Section II of Part II of Schedule XIII to the Act.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its power herein conferred to any director(s) and/or officer(s) of the Company, to give effect to this resolution.”

By Order of the Board of Directors

**M. R. Momaya**  
**Whole-time Director**

Surat, 29th May, 2010

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and the proxy need not be a member of the Company.
2. Proxies, in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
3. The Explanatory Statement setting out the material facts concerning Special Business in respect of Item Nos. 4, 5 & 6 of the accompanying Notice as required by Section 173 of the Companies Act, 1956, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 21st July, 2010 to Wednesday, 28th July, 2010 (both days inclusive) in connection with the Annual General Meeting.
5. 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.
6. 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.
7. 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.
8. Members desiring any information about the Company's working are requested to write to the Company at an early date so as to enable the Management to reply at the Annual General Meeting.
9. 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.
10. 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.
11. 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.
12. As per provisions of the Companies Act, 1956, facility for making nomination is now available to Individuals in respect of the shares held by them. 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**  
**Whole-time Director**

Surat, 29th May, 2010

**NOTICE (Contd.)**

Particulars of Directors retiring by rotation / Additional Director proposed to be appointed at the ensuing Annual General Meeting:

Name	Mr. S.M. Vig
Age	64 Years
Date of Appointment	23.10.2000
Qualification	Engineer
Expertise in functional areas	He is having vast experience and in-depth knowledge of the polyester textile industry. He is a technocrat and an entrepreneur par excellence
Directorship in other companies	Nil
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

Name	Mr. M.R. Momaya
Age	78 Years
Date of Appointment	23.10.2000
Qualification	Engineer
Expertise in functional areas	Having wide experience in 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
Directorship in other companies	1. Como Textiles Private Ltd. 2. Amalfi Textiles Private Ltd. 3. Sorrento Textiles Private Ltd. 4. Porus Textiles & Trading Pvt. Ltd.
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	Nil

Name	Mrs. Shilpa P. Shah
Age	66 Years
Date of Appointment	28.04.2010
Qualification	M.A. (University of California, U.S.A.)
Expertise in functional areas	Industrialist
Directorship in other companies	1. Garden Silk Mills Ltd. 2. Prabhat Silk Mills Ltd. 3. Vareli Fabrics Pvt. Ltd. 4. Amika Indian Textiles & Art Museum Pvt. Ltd.
Membership of Committees in other Public Limited Companies	Nil
No. of shares held in the Company	1,00,15,450

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business under item No.4, 5 and 6 of the accompanying Notice dated 29th May, 2010.

**Item No. 4**

The shareholders had at their 59th Annual General Meeting held on 6th September, 2005, approved the appointment and remuneration of Mr. M.R. Momaya as Whole-time Director with substantial powers of management as Managing Director of the Company for a period of five years with effect from 11th December, 2005.

Mr. M. R. Momaya is a qualified Engineer having wide experience in the textile industry. He was associated with one of the most reputed textile company of Surat for about 30 years and at present rendering his services as Consultant Engineer. Mr. M. R. Momaya is also involved with the various activities of the Group since a long time and has contributed to a large extent to the activities in which the Company is engaged.

In view of Mr. M. R. Momaya having vast experience of the Indian Textile industry and in depth knowledge of the relevant field, the Board of Directors at their meeting held on 29th May, 2010 considered and re-appointed Mr. M. R. Momaya as Whole-time Director designated as Managing

**NOTICE (Contd.)**

Director of the Company for a further period of 5 (five) years w.e.f. 11th December, 2010. His Reappointment is subject to the approval of Members at the General Meeting by way of Special Resolution as his age is above 70 years.

The remuneration and perquisites of Mr. M. R. Momaya is considered reasonable having regard to the qualification, experience and expertise and the value which he is expected to add to the business of the Company. The terms of re-appointment and remuneration payable to the aforesaid director, are in strict conformity with Schedule XIII to the Companies Act, 1956.

**I. Period:** From 11th December, 2010 to 10th December, 2015

**II. Remuneration**

**a) Salary:** upto Rs.1,00,000/- per month with such increments as may be decided by the Board of Directors (which includes any Committee thereof) from time to time, after taking into account the Company's performance.

**b) Perquisites and Allowances:**

- i) In addition to the salary and commission, Mr. M. R. Momaya shall also be entitled to perquisites and allowances, including furnished accommodation or house rent in lieu thereof, house maintenance allowance, together with utilities thereof such as gas, electricity, water and furnishings, repairs, servants salaries, society charges and property tax, medical reimbursement, medical and personal accident insurance, leave travel concessions for self and family, club fees, and such other allowances and perquisites as the Board may in its absolute discretion, determine from time to time.
- ii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these are either singly or together, not taxable under the Income Tax Act; Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling for remuneration specified above.
- iii) Car for use on Company's business and telephone and other communication facilities at residence, shall not be considered as perquisites.
- iv) Leave with full pay or encashment thereof as per the Rules of the Company.
- v) Reimbursement of actual entertainment expenses, actual traveling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.

vi) Other perquisites:

Subject to overall ceiling on remuneration mentioned herein below, the Whole-time Director may be given any other allowances, benefits and perquisites as the Board of Directors (which includes any Committee thereof) may from time to time decide.

Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

The Board is entitled to terminate the agreement forthwith by notice in writing on his vacation of office of Director by virtue of Sections 283, 284 and other applicable provisions of the Companies Act, 1956 or by giving 6 months' notice in writing by either party.

**c) Commission:**

Such remuneration by way of commission, in addition to the salary and perquisites and allowances, payable calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors (which includes any committee thereof) in its absolute discretion deem fit, for each Corporate Financial Year, provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceilings prescribed under Section 198 and 309 of the Companies Act, 1956.

**III. Overall Remuneration:**

The aggregate of salary, commission, perquisites and other allowances in any one financial year shall not exceed the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may, for the time being, be in force.

**IV. Minimum Remuneration:**

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of the Managing Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary, Perquisites and other allowances as specified above as minimum remuneration, subject to the overall ceiling prescribed under Paragraph A of Section II of Part II of Schedule XIII to the Act.

The terms and conditions of the said appointment and agreement may be altered and varied from time to time by the Board, as it may, in its discretion, deem fit within the maximum amounts payable to Managing Director, subject to the provisions of Sections 198, 309 and 310 and Schedule XIII of the Companies Act, 1956, or any other amendments made hereafter in this regard.

**NOTICE (Contd.)**

The Remuneration Committee of the Board has recommended and approved the aforesaid remuneration. In compliance with Sections 269 and 309 of the Act, the terms of remuneration and appointment specified above are now placed before the shareholders in general meeting for their approval.

The copy of the draft agreement as referred above is open for inspection by the members at the registered office of the Company during business hours on any working day, upto the date of the Annual General Meeting.

This Explanatory Statement read with the Resolution in respect of the draft agreement as referred above may also be treated as an abstract in compliance with Section 302 of the Companies Act, 1956.

Mrs. M. R. Momaya is interested in the Resolution set out at Item No. 4 of the accompanying Notice, since it relates to his re-appointment.

The Board commends the passing of the Resolution set out in Item No.4 of the accompanying Notice.

**Item No. 5 & 6**

The Board of Directors of the Company at their meeting held on 28th April, 2010 unanimously appointed Mrs. Shilpa P. Shah as an Additional Director of the Company. In terms of Section 260 of the Companies Act, 1956, Mrs. Shilpa P. Shah holds the office of Director upto the date of the ensuing Annual General Meeting.

Mrs. Shilpa P. Shah has Master of Arts Degree from University of California, Berkeley, USA. She has wide experience in the field of advertising & textile designing in addition to general management and financial aspects. Her advertisement and ad campaigns have won several coveted and prestigious awards. Mrs. Shilpa P. Shah is also an Executive Director of Garden Silk Mills Limited, the promoters of the Company and has been associated with the Company since inception. During her tenure as a Member of the Board she has been actively involved in the activities of the Company.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received, together with requisite deposits, from a member signifying his intention to propose the appointment of Mrs. Shilpa P. Shah as a candidate for the office of Director of the Company, liable to retire by rotation.

In view of Mrs. Shilpa P. Shah having vast experience of the Indian Textile industry and in depth knowledge of the said field, the Board of Directors at their meeting held on 29th May, 2010 considered and appointed Mrs. Shilpa P. Shah as Whole-time Director designated as Executive Director of the Company for a period of 5 (five) years w.e.f. 1st June, 2010, subject to the approval of Members at the General Meeting.

The remuneration and perquisites of Mrs. Shilpa P. Shah is considered reasonable having regard to the qualification, experience and expertise and the value which she is expected to add to the business of the Company. The terms of the appointment and remuneration payable to Mrs. Shilpa P. Shah have been approved in accordance with the applicable provisions of the Companies Act, 1956.

The salient features of the terms and conditions of appointment of Mrs. Shilpa P. Shah as the Whole-time Director designated as Executive Director as set out in the draft agreement placed before this Meeting are as follows:

**I. Remuneration:**

(a) **Salary:** upto Rs.1,00,000/- per month with such increments as may be decided by the Board of Directors (which includes any Committee thereof) from time to time, after taking into account the Company's performance.

**(b) Perquisites and Allowances:**

i) In addition to the salary and commission, Mrs. Shilpa P. Shah shall also be entitled to perquisites and allowances, including furnished accommodation or house rent in lieu thereof, house maintenance allowance, together with utilities thereof such as gas, electricity, water and furnishings, repairs, servants salaries, society charges and property tax, medical reimbursement, medical and personal accident insurance, leave travel concessions for self and family, club fees, and such other allowances and perquisites as the Board may in its absolute discretion, determine from time to time provided that the aggregate value of such perquisites shall not exceed 125% of the salary mentioned at a) above.

Perquisites shall be valued as per the Income Tax Rules, wherever applicable and in the absence of such rule, perquisites shall be valued at actual cost.

ii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling on remuneration as specified above.

iii) Car for use on Company's business and telephone and other communication facilities at residence will not be considered as perquisites.

iv) Leave with full pay or encashment thereof as per the Rules of the Company.

v) Reimbursement of actual entertainment expenses, actual traveling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.

vi) Other perquisites:

Subject to overall ceiling on remuneration mentioned herein below, the Whole-time

**NOTICE (Contd.)**

Director may be given any other allowances, benefits and perquisites as the Board of Directors (which includes any committee thereof) may from time to time decide.

**(c) Commission:**

Such remuneration by way of commission, in addition to the salary and perquisites and allowances, payable calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors (which includes any committee thereof) in its absolute discretion deem fit, for each Corporate Financial Year, provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceilings prescribed under Section 198 and 309 of the Companies Act, 1956.

**II. Overall Remuneration:**

The aggregate of salary, commission, perquisites and other allowances in any one financial year shall not exceed the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

**III. Minimum Remuneration:**

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of the Whole-time Director, the Company has no profits or inadequate profits, the Company will pay remuneration by way of salary, perquisites and other allowances as specified above, as minimum remuneration, subject to the overall ceiling prescribed under Paragraph A of Section II of Part II of Schedule XIII to the Act.

The terms and conditions of the said appointment and agreement may be altered and varied from time to time by the Board, as it may, in its discretion, deem fit within

the maximum amounts payable to Whole-time Director, subject to the provisions of Sections 198, 309 and 310 and Schedule XIII of the Companies Act, 1956, or any other amendments made hereafter in this regard.

The Directors are of the view that the appointment of Mrs. Shilpa P. Shah as Whole-time Director will be beneficial to the operations of the Company and the remuneration payable to her is commensurate with her ability and experience. The Remuneration Committee of the Board has approved the aforesaid remuneration.

In compliance with the provisions of Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956, read with the Schedule XIII to the Act, the terms of remuneration specified above are now being placed before the shareholders for their approval.

This Explanatory Statement read with the Resolution in respect of the draft agreement as referred above may also be treated as an abstract in compliance with Section 302 of the Companies Act, 1956.

The copy of the draft agreement as referred above is open for inspection by the members at the registered office of the Company during business hours on any working day, upto the date of the Annual General Meeting.

Mrs. Shilpa P. Shah is interested in the Resolution set out at Item No. 5 & 6 of the accompanying Notice, since it relates to her appointment.

The Board commends the passing of the Resolution set out in Item Nos.5 & 6 of the accompanying Notice.

By Order of the Board of Directors

**M. R. Momaya**  
**Whole-time Director**

Surat, 29th May, 2010

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

### TO THE MEMBERS OF SURAT TEXTILE MILLS LIMITED

Your Directors have pleasure in presenting the Sixty-fourth Annual Report on the business and operations of the Company together with the audited accounts for the year ended 31st March 2010.

#### Summarised Financial Results

	(Rs. in Lacs)	
	2009-10	2008-09
Gross Sales and Job Charges Income	<b>26023.92</b>	17521.73
Profit before interest, depreciation and tax	<b>1448.81</b>	892.83
Financial Charges	<b>399.72</b>	7.67
Profit before Depreciation and Tax	<b>1049.09</b>	885.16
Depreciation	<b>182.41</b>	182.29
Profit before Tax	<b>866.68</b>	702.87
Provision for Tax	<b>146.00</b>	82.00
Net Profit for the year	<b>720.68</b>	620.87

#### Dividend

In order to strengthen the reserves of the Company and with a view to ensure sufficient liquidity to take advantage of the growth potential, your directors consider it prudent not to recommend a dividend.

#### Review of Operations

During the year under review, sales of polyester filament yarn increased to Rs. 6824.81 lacs, compared to Rs. 6556.70 lacs achieved in the previous year; however the sale of polyester chips was lower at Rs. 8130.91 lacs as compared to Rs. 9604.39 lacs for the previous year. The gross turnover was higher during the year also on account of trading activities by leveraging on the Company's in-house expertise in the import and procurement of raw materials for the polyester industry.

Despite increase in business volume, the overall contribution and margins remained under pressure due to fluctuation in raw material prices coupled with competitive pressures on the business activity.

Increase in the cost of major inputs, consequent to the rise in international crude oil prices, affected the performance of the Company, as the increase could not be entirely passed on to the customers.

During the year under review, your Company discharged its obligation towards payment of interest on soft loan availed from the promoter.

#### Successful Implementation of Sanctioned Scheme

With the successful implementation of the sanctioned scheme, the net worth being positive and the accumulated losses of the Company completely wiped out as on 31st March, 2009, your Company ceased to be "Sick Industrial Company" under Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 and was discharged from the purview

of SICA by BIFR vide its Order dated 18th December, 2009. As on 31st March, 2010 the net worth of the Company further increased to Rs. 3169.63 lacs.

#### Overview of Economy

The country's economy grew by 7.4% in 2009-10, compared to 6.7% expansion in the previous fiscal, when it came under the ripple effect of the global financial melt down. Growth is projected to recover to 8-9% in the next two years. The recovery of Indian GDP could be even faster than what is projected. But the rising interest rates, rupee appreciation and continued low growth in high-income nations could cause hurdles to the recovery. India's recovery could also be impacted by volatility in capital inflows and high inflation.

#### Industry Scenario

In polyester chips, the domestic supply has increased and outstrips demand largely. This has put considerable pressure on sale and margins. The raw material prices are expected to go up and likely to put further pressure on margins. The Company hopes to counter this effect by improved product mix. In respect of spun yarn activity, the operating margins are likely to remain under pressure due to lower sales realisation.

#### Opportunities, Threats and Challenges

Low per capita consumption of polyester in India is still way behind the world average. This provides an opportunity for future growth in the Indian Polyester Industry. The Company perceives threat from imports and consequent pressure on domestic prices, apart from the increase in prices of raw materials and other inputs due to any spurt in crude oil prices.

Your Company is gearing up to meet the challenges through continuous improvement in quality, reduction in costs, better marketing arrangements for higher value added products.

#### Business Outlook

The recent budget proposals have withdrawn the stimulus package by roll back of excise duty earlier reduced for the overall growth of the manufacturing sector, putting further pressure on the Company.

Your Company is pursuing cost cutting measures and focusing on increased productivity, better product mix, introduction of new products and a thrust in sales and better price realisation. However, the performance of the Company in the coming months, would be largely dependent on the overall industry scenario.

Your Company continues to leverage its in-house expertise in the area of procurement and import of raw materials for polyester industry and expand that line of business activities as well.

#### 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.

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

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 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 within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include overall global economic conditions, domestic manufacturing sector growth, foreign exchange stability and stable credit environment.

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.

### Directors

In accordance with the Articles of Association of the Company Mr. S. M. Vig retire by rotation at the 64th Annual General Meeting and, being eligible, offers himself for re-appointment.

Mrs. Shilpa P. Shah was appointed as an additional director by the Board at its meeting held on 28th April, 2010. Mrs. Shah holds office until the conclusion of the ensuing annual general meeting and is eligible for re-appointment. The Company has received notice from a member under Section 257 of the Companies Act, 1956, proposing her candidature for the office of Director, liable to retire by rotation. The Directors recommend her appointment.

Mr. C. K. Koshy, appointed as special director by the BIFR on the Company's Board of Directors, stands discharged w.e.f. BIFR order dated 18th December, 2009. While taking note of the withdrawal of nomination of Mr. Koshy, the directors place on record their sincere appreciation of the valuable services rendered by him during his tenure as a special Director on the Board of the Company.

Pursuant to clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / re-appointment at the forthcoming annual general meeting are provided in the notes forming part of the Notice of Annual General Meeting.

### 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

Your Company makes every effort to conserve energy required for all its operations. 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 Directors) Rules, 1988 with respect to conversation of energy, technology absorption and foreign exchange earnings / outgo is annexed hereto as annexure 'A' and forms part of this Report.

### Employee relations

Relations between the employees and the management of the Company across all the locations continued to be cordial during the year.

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

### Auditors

Messrs Natvarlal Vepari & Co., the Statutory Auditors retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Company has received the certificate from the retiring auditors to the effect that the appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

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. Nanabhoy & Co., cost accountants, as auditors to audit the cost accounts of the Company for the financial year 2010-11.

**DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)****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, in relation to financial statement for the year 2009-10, the Board of Directors of the Company hereby state and confirm that:

- i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures therefrom;
- ii) 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;
- iii) the Directors have taken proper and sufficient care to the best of their knowledge and ability 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

- iv) the Directors have prepared the annual accounts on a going-concern basis.

**Corporate Governance**

As required by Clause 49 of the Listing Agreement, a separate report on Corporate Governance along with a certificate from the Statutory Auditors regarding compliance of the conditions of Corporate Governance is annexed and forms part of this report.

**Acknowledgement**

Your Directors place on record their appreciation for the continued support and co-operation received from customers, suppliers, dealers, banks, Board for Industrial & Financial Reconstruction, and government authorities. The Board also, expresses its appreciation for the understanding and support extended by the shareholders and employees of the Company.

By Order of the Board of Directors

Surat, 29th May, 2010.

**M. R. Momaya**  
**Whole-time 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.

<b>FORM "A"</b>			
<b>Form for Disclosure of Particulars with respect to Conservation of Energy</b>			
		<b>2009-10</b>	<b>2008-09</b>
<b>A</b>	<b>Power And Fuel Consumption</b>		
1.	Electricity		
a.	Purchased Unit in lacs	<b>158.53</b>	159.69
	Total amount Rs. in Lacs.	<b>1128.33</b>	1171.23
	Rate / Unit Rs.	<b>7.12</b>	7.33
b.	Own Generation		
i.	Through Diesel Generator		
	Units in lacs	<b>NIL</b>	NIL
	Units per Ltr. of Diesel Oil	<b>NIL</b>	NIL
	Unit per SCM of Gas Consumption	<b>NIL</b>	NIL
	Cost/Unit Rs.	<b>NIL</b>	NIL
ii.	Through Steam turbine/Generator		
	Units	<b>NIL</b>	NIL
	Units per Ltr. of fuel oil / gas	<b>NIL</b>	NIL
	Cost/Unit Rs.	<b>NIL</b>	NIL

## ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

	2009-10	2008-09
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.)	477	1202
Total Amount Rs. in Lacs.	113.45	205.52
Average rate Rs./ Ltr.	23.78	17.10
4. Others/Internal generation		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate / Unit Rs.	NIL	NIL
<b>B Consumption Per Unit of Production</b>		
Product Details	<b>SPUN YARN</b>	<b>SPUN YARN</b>
Unit	<b>Kg.</b>	<b>Kg.</b>
Electricity (Unit) *	<b>4.20</b>	<b>4.61</b>
Product Details	<b>PFY</b>	<b>PFY</b>
Unit	<b>Kg.</b>	<b>Kg.</b>
Electricity (Unit) *	<b>1.15</b>	<b>1.12</b>
Product Details	<b>CHIPS</b>	<b>CHIPS</b>
Unit	<b>Kg.</b>	<b>Kg.</b>
Electricity (Unit) *	<b>0.19</b>	<b>0.18</b>
Furnace Oil	<b>NIL</b>	<b>NIL</b>
Coal / Lignite (Kg.)	<b>NIL</b>	<b>NIL</b>
Others	<b>NIL</b>	<b>NIL</b>

\* 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 strengthening its product portfolio, 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.
  - Improvement in capacity utilisation.
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.17 of Schedule 12 annexed to the accounts.

By Order of the Board of Directors

Surat, 29th May, 2010

**M. R. Momaya**  
**Whole-time Director**

## CORPORATE GOVERNANCE REPORT

The report on Corporate Governance is pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges and forms a part of the report of the Board of Directors. The Company has complied with the applicable requirements of revised Clause 49 of the Listing Agreement.

### I. CORPORATE GOVERNANCE PHILOSOPHY

Your Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, lenders and the government. 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:

The Board comprises of four Directors including one Director nominated by BIFR as special director on the Board of Directors of the Company. The Company has one Whole-time Director and two non-executive independent Directors. The composition and category of Directors as of 31st March, 2010 is as follows:

Name	Category	No. of Board Meetings attended	Attendance at the last AGM held on 11.08.09	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies
Mr. M.R. Momaya	Whole-time Director	6	Yes	None	None
Mr. S.M. Vig	Non-executive, Independent	6	Yes	None	None
Mr. Y.C. Papaiya	Non-executive, Independent	6	Yes	None	None
Mr. C. K. Koshy *	Special Director (BIFR)	1	No	N.A.	N.A.

\* Withdrawn as Special Director from 18th December, 2009

The Board of Directors met six times during the Financial year 2009-10. Board Meetings were held on 26th May, 2009, 30th June, 2009, 29th July, 2009, 27th October, 2009, 28th December, 2009 and 29th January, 2010.

The Company has not had any pecuniary relationship and transaction with any of the Non-Executive Directors during the year under review.

The information as required under Annexure 1A to Clause 49 of the Listing Agreement is being regularly placed before the Board. The Board also reviews the declaration made by the Managing Director of the Company regarding compliance with all laws applicable to the Company, on a quarterly basis.

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 audit committee of the Board was constituted in 2001. The constitution of audit committee is in confirmation with the requirements of Section 292(A) of the Companies Act, 1956 and also as per the requirements of Clause 49(II)(A) of the Listing Agreement. The audit committee comprises of the following Directors:

Sr. No.	Name	Category	No. of Meeting Attended
1	Mr. Y. C. Papaiya	Non-Executive, Independent	5
2	Mr. S. M. Vig	Non-Executive, Independent	5
3	Mr. M. R. Momaya	Whole-time Director	5

The audit committee met five times during the Financial Year 2009-10 on 26.05.2009, 30.06.2009, 29.07.2009, 27.10.2009 and 29.01.2010. All members are financially literate and have relevant finance and / or audit exposure. Mr. Y. C. Papaiya the Chairman of the audit committee is a Chartered Accountant. 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.

The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 11th August, 2009 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.)

### OTHER SUB-COMMITTEES OF THE BOARD OF DIRECTORS

#### a) Remuneration Committee

The remuneration committee has been constituted to recommend to the Board the appointment / re-appointment of Managing Director and / or Whole-time Directors, the remuneration payable to the Directors, revision in salary to be paid from the succeeding financial year, based on evaluation of performance for the year under consideration. The performance evaluation is based on financial performance, market performance etc., of the Company.

The following directors are the members of the Remuneration Committee.

Mr. Y. C. Papaiya, Mr. S. M. Vig and Mr. C. K. Koshy \*

\* resigned w.e.f. 18.12.2009.

During the financial year 2009-10 no meeting of remuneration committee was held since the remuneration payable to Mr. M. R. Momaya, the Whole-time 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.

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, 2010, is as follows: Mr. S. M. Vig Rs. 37,000/-, Mr. Y. C. Papaiya Rs. 37,000/- and 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.

#### b) Share Transfer, Shareholders' / Investors' Grievance Committee:

A Shareholders/Investors Grievance Committee has been constituted by the Board of Directors to monitor the redressal of the shareholders/investors grievances. The committee consists of two Directors:

1) Mr. Y. C. Papaiya (Chairman) Non-executive and Independent Director

2) Mr. S. M. Vig (Member) Non-executive and Independent Director

The Committee reviews the status of complaints received from shareholders/investors and redressal thereof. The Secretary has been designated as the compliance officer. During the Financial Year 2009-10. During the year 59 complaints were received from Shareholders which were duly replied to / resolved. No complaint was pending as on 31st March, 2010.

#### c) Management Committee of Directors:

In addition to the above-referred Committees, which are mandatory under the Corporate Governance Code, the board of Directors has constituted Management Committee of Directors to approve routine and specific matters delegated by the Board.

The composition of the Committee of Directors is as follows:

Mr. Y. C. Papaiya- Chairman and Mr. S. M. Vig - Member

During the year 2009-10 the Committee met three times on 25.11.2009, 11.12.2009 and 15.03.2010. However, between two meetings discussions are held, as and when required, among the Committee members and decisions taken in all matters coming within the Committee's purview.

### IV PARTICULARS OF THE PAST THREE ANNUAL GENERAL MEETINGS:

Location, date and time of Annual General Meetings held during the last 3 years:

Year	Location	Date	Time
2006-07	Garden Mills Complex, Sahara Gate, Surat.	14th August, 2007	10.30 a.m.
2007-08	Garden Mills Complex, Sahara Gate, Surat.	24th September, 2008	10.30 a.m.
2008-09	Garden Mills Complex, Sahara Gate, Surat.	11th August, 2009	10.30 a.m.

- In the Annual General Meeting held on 14th August, 2007, a Special Resolution was passed for appointment of statutory auditors and fixing of their remuneration.
- There were no Special Resolution proposed at the Annual General Meeting held on 24th September, 2008 and 11th August, 2009.

## CORPORATE GOVERNANCE REPORT (Contd.)

### Postal Ballot:

Pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, approval of the shareholders was sought by Postal Ballot vide Notice dated 27th October, 2009 in respect of following proposals:

**SPECIAL RESOLUTION NO. 1:** for alteration in Clause II of Memorandum of Association of the Company, by substituting the words "in the State of Gujarat" in place of "in the province of Bombay". The votes cast in favour of the resolution are 99.99% of the total votes received and consequently the Special Resolution has been passed by requisite majority.

**SPECIAL RESOLUTION NO. 2:** for seeking the Shareholders' / Members' approval under Section 17 of the Companies Act, 1956 for alteration of the Objects as contained in Clause III of Memorandum of Association of the Company. The votes cast in favour of the resolution are 99.99% of the total votes received and consequently the Special Resolution has been passed by requisite majority.

**SPECIAL RESOLUTION NO. 3:** for seeking the Shareholders' / Members' approval under Section 31 of the Companies Act, 1956 to adopt a new set of Articles of Association of the Company in substitution for and to the exclusion of all the existing articles thereof. The votes cast in favour of the resolution are 99.99% of the total votes received and consequently the Special Resolution has been passed by requisite majority.

The details of voting pattern was as under:

	Particulars	Resolution No.1	Resolution No.2	Resolution No.3
A	Number of Valid postal Ballots forms received	727	664	662
B	Valid votes in favour of the Resolution	172465255	172454162	172450202
C	Valid votes against the Resolution	3020	2808	5707
D	Number of invalid Postal Ballot Forms received	84	147	149

Mr. Kunjal Dalal, Practicing Company Secretary conducted the postal ballot exercise in a fair and transparent manner.

## V. DISCLOSURES:

### (a) Related Party Transactions:

During the year under review, besides the transactions reported in Note 12 of the Schedule 12 to the Financial Statement in the Annual Report, there were no other material related party transactions of the Company with its promoters, directors or the management or their relatives and associates. These transactions do not have any potential conflict with the interest of the Company at large. Further there are no material individual transactions that are not in normal course of business or not on an arm's length basis.

### (b) Disclosure of Accounting Treatment:

The Company follows Accounting Standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006 and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

### (c) Risk Management:

The overall risk management of the Company is overseen by the Board and the senior management at various levels. The issues related to the Business Risk, Operational Risk and Financial Risks are placed for due discussions at Board meetings and gets updated on regular basis for appropriateness of the mitigation measures to ensure that the risk remain relevant at any point in time and corresponding mitigation measures are optimised.

### (d) Details of Non-Compliance:

There have been no instances of non-compliance on any matter with the rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to capital markets during the last three years. No penalties or strictures have been imposed by them on the Company.

### (e) Disclosure by Senior Management:

Senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that could result in a conflict with the interest of the Company at large.

### (f) CEO/CFO Certification:

The Whole-time Director has certified to the Board in accordance with Clause 49(V) of the Listing Agreement pertaining to CEO/CFO certification for the Financial Year ended March 31, 2010, which is annexed hereto.

## CORPORATE GOVERNANCE REPORT (Contd.)

### (g) 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.

### (h) Secretarial Audit:

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary-in-Practice for timely dematerialisation of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.

### (i) 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.

## VI. 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.

## VII. MEANS OF COMMUNICATION:

The unaudited financial results of the Company for each quarter is placed before the Board of Directors in the fourth week of succeeding month. The quarterly financial results of the Company are normally published in Indian Express (English), Baroda Edition, Dhabkar (Vernacular), Surat Edition.

The financial results and shareholding pattern for each quarter are also put on the website of Electronic Data Information Filing and Retrieval (EDIFAR) maintained by National Informatics Centre and can be retrieved from the website [www.sebidifar.nic.in](http://www.sebidifar.nic.in). and Corporate Filing and Dissemination System (CFDS) portal, [www.corpfilings.co.in](http://www.corpfilings.co.in).

## VIII. GENERAL SHAREHOLDER INFORMATION:

### (a) 64th Annual General Meeting:

Date	: Wednesday, 28th July, 2010.
Time	: 10:30 a.m.
Venue	: Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat 395010.

### (b) Financial Calendar (2010-11)

Results for the quarter ending June 30, 2010	: July/August, 2010.
Results for the quarter ending September 30, 2010	: October/November, 2010
Results for the quarter ending December 31, 2010	: January/February, 2011
Results for the year ending March 31, 2011	: April/May, 2011

(c) Book closure dates	: Wednesday, 21st July, 2010 to
	: Wednesday, 28th July, 2010.
	: (Both days inclusive)

### (d) Listing on Stock Exchanges

1. Ahmedabad Stock Exchange Limited, Kamdhenu Complex, Opp. Sahajanand College, Panjara Pole, Ambawadi, Ahmedabad 380 015.	: 58110
2. Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	: 30185 (Physical Segment) : 530185 (Demat Segment)
3. Demat ISIN for NSDL & CDSL.	: INE 936A01025

**CORPORATE GOVERNANCE REPORT (Contd.)**

(e) **Annual Listing Fees:** The Company has paid the Annual Listing fees to the above stock exchanges for the financial year 2010-2011.

(f) **Market Price Data**

The High/Low market price of the shares during the year 2009-10 at the Bombay Stock Exchange (BSE) are as under.

Month	High (Rs.)	Low (Rs.)
April, 2009	2.55	1.71
May, 2009	4.55	2.00
June, 2009	4.89	3.16
July, 2009	4.29	3.04
August, 2009	4.62	3.80
September, 2009	5.19	3.60
October, 2009	4.60	3.61
November, 2009	4.25	3.32
December, 2009	6.00	3.79
January, 2010	8.29	4.60
February, 2010	5.90	4.41
March, 2010	5.09	3.85

(g) **Registrar and Share Transfer Agents:**

Karvy Computershare Private Limited  
Unit: Surat Textile Mills Limited  
Plot No.17 to 24, Vittalrao Nagar,  
Madhapur,  
Hyderabad 500 081

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 transfers which are complete in all respects are taken up for approval at least once in a fortnight and the transferred securities dispatched to the transferee within 21 days. The details of transfer / transmission approved by the Board are noted by the Board at its next meeting.

(i) **Distribution of shareholding as on 31st March 2010:**

Sr. No.	Category of Members	No. of Shares held	% of total Shares
1.	Promoters.	182120465	82.01
2.	Indian Public.	17138938	7.72
3.	Banks, Financial Institutions & Insurance Companies.	20715480	9.33
4.	NRI's / OCB's.	60781	0.03
5.	Bodies Corporate.	2008242	0.90
6.	Trusts	300	0.00
7.	Others (NSDL+CDSL) Clearing Members	20234	0.01
	<b>TOTAL</b>	<b>222064440</b>	<b>100.00</b>

## CORPORATE GOVERNANCE REPORT (Contd.)

### (j) Categorywise Summary of Holders / Holdings as on 31st March, 2010:

No. of Equity Shares	No. of Shareholders	% of total Shareholders	No. of Shares held	% of total Shares
1 – 5000	39414	98.78	10951062	4.93
5001 – 10000	258	0.65	2021688	0.91
10001 – 20000	121	0.30	1691793	0.76
20001 – 30000	39	0.10	1005857	0.46
30001 – 40000	15	0.04	513532	0.23
40001 – 50000	10	0.03	473977	0.21
50001 – 100000	20	0.05	1298244	0.58
100001 & above	24	0.05	204108287	91.92
<b>Total</b>	<b>39901</b>	<b>100.00</b>	<b>222064440</b>	<b>100.00</b>

### (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:

174114423 Equity Shares aggregating to 78.41% of the total Equity Capital is held in dematerialized form as on 31.03.2010 of which 76.33% (169496959 Equity Shares) of total equity capital is held with NSDL and 2.08% (4617464 Equity Shares) of total equity capital is held with CDSL as on 31.03.2010.

### (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<br>Unit: Surat Textile Mills Limited<br>Plot No.17 to 24, Vittalrao Nagar,<br>Madhapur, Hyderabad 500 081<br>Tel. No.: 040-23420815 to 24<br>Fax No.: 040-23420814<br>e-mail : einward.ris@karvy.com<br>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,<br>Sahara Gate, Surat 395 010.   |

### (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) 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.

**Non-Mandatory Requirements**

The status of compliance with Non-mandatory requirement is as under:

- (1) (a) Maintenance of Non-Executive Chairman's Office - The Chairman is also the Managing Director of the Company. Hence, no requirement of separate office.  
(b) There is no fixed tenure for Independent Directors.
- (2) The Company has set up a remuneration Committee pursuant to Clause 49 of the Listing Agreement. The broad terms of reference of the Committee are to appraise the performance of Managing / Executive Directors, determine and recommend to the Board, compensation payable to Managing / Executive Directors.
- (3) Audit Qualifications - There are no Audit qualifications in the Company's financial statement for the year under reference.
- (4) Training of the Board Members - There is no formal policy at present for the Board members of the Company as the Members of the Board are eminent and experienced professional persons.
- (5) Mechanism for evaluating Non-Executive Board Members -Presently, the Company has not adopted any mechanism for evaluating the performance of Non-Executive Board Members.
- (6) Whistle Blower Policy - Presently, the Company has not established any formal Whistle Blower Policy.

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### DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with Surat Textile Mills Limited Code of Conduct for the year ended 31st March, 2010.

Place: Surat

Date: 29th May, 2010

**For Surat Textile Mills Limited**

**M. R. Momaya**

**Whole-time 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, 2010 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**  
*Whole-time Director*

Surat, 29th May, 2010

**AUDITORS CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

**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 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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.**  
Firm Registration Number: 123626W  
Chartered Accountants

**R. N. VEPARI**  
**Partner**

Membership Number: 6728

Surat, 29th May, 2010.

## 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, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date along with 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the 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 this 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. 856.20 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 12 to the financial statements. Subject to this, in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Acts;
  - (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, together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act 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, 2010;
    - 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.**  
Firm Registration Number: 123626W  
Chartered Accountants

**R. N. VEPARI**  
Partner

Surat, 29th May, 2010.

Membership Number: 6728

**ANNEXURE TO THE AUDITORS' REPORT**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Surat Textile Mills Limited on the financial statements for the year ended 31st March, 2010

- (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) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) (a) The inventory has been physically verified by the management during the year. 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 inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- (iii) According to the information and explanations given to us, the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. 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, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid 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 of the Act and the rules framed thereunder. 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 its size and nature of its business;
- (viii) We have broadly reviewed the books of account maintained by the Company in respect of the products where, pursuant to the rules prescribed by the Central Government of India, the Maintenance of Cost records has been prescribed under Clause(d) of sub-section (1) of Section 209 of the Act and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the 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 other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2010 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 as at 31st March, 2010 are less than fifty percent of its net worth;
- (b) the company has not incurred any cash losses in the financial year ended on that date or 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 any financial institution or bank during the year. 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) On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which 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 Act during the year.
- (xvii) During the course of our examination of the books and records of the Company, carried out in accordance with the general accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

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) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

**For NATVARLAL VEPARI & CO.**  
Firm Registration Number: 123626W  
Chartered Accountants

**R. N. VEPARI**  
Partner

Surat, 29th May, 2010.

Membership Number: 6728

**BALANCE SHEET AS AT 31ST MARCH, 2010**

	Schedule	(Rs. in Lacs)	
		As at 31st March 2010	As at 31st March 2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2,220.64	2,220.64
Reserves and Surplus	2	949.00	228.31
		<u>3,169.64</u>	<u>2,448.95</u>
<b>Loan Funds</b>			
Secured Loans	3	2,900.00	0.00
Unsecured Loans	4	0.00	3,200.00
		<u>2,900.00</u>	<u>3,200.00</u>
<b>TOTAL</b>		<u><b>6,069.64</b></u>	<u><b>5,648.95</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	18,541.24	18,532.77
Less : Depreciation		16,318.49	16,136.08
Net Block		2,222.75	2,396.69
Capital Work-in-Progress		141.75	144.53
		<u>2,364.50</u>	<u>2,541.22</u>
<b>Investments</b>	6	1,860.04	1,262.04
<b>Current Assets, Loans and Advances</b>			
Inventories	7	2,296.53	1,490.19
Sundry Debtors		208.37	380.75
Cash and Bank Balances		1,226.56	517.22
Loans and Advances		1,744.15	390.10
		<u>5,475.61</u>	<u>2,778.26</u>
<b>Less: Current Liabilities and Provisions</b>	8		
Current Liabilities		3,399.71	847.77
Provisions		230.80	84.80
		<u>3,630.51</u>	<u>932.57</u>
<b>Net Current Assets</b>		<u>1,845.10</u>	<u>1,845.69</u>
<b>TOTAL</b>		<u><b>6,069.64</b></u>	<u><b>5,648.95</b></u>
<b>Significant Accounting policies and Notes forming part of the Accounts.</b>	12		

As per our attached report of even date  
**For NATVARLAL VEPARI & CO.**  
 Firm Registration Number: 123626W  
*Chartered Accountants*

**R. N. VEPARI**  
**Partner**  
 Membership No.6728

Surat, 29th May, 2010

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, 29th May, 2010

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

(Rs. in Lacs)

	Schedule	2009-2010	2008-2009
<b>INCOME</b>			
Sales and Job Charges		26,023.92	17,521.73
Less : Excise Duty on Sales		1,820.33	1,095.60
Net Sales		24,203.59	16,426.13
Other Income	9	92.15	152.98
		<b>24,295.74</b>	<b>16,579.11</b>
<b>EXPENDITURE</b>			
Consumption of Raw Materials		11,315.99	11,983.06
(Increase)/Decrease in Stocks	10	(401.26)	285.44
Purchases		8,438.44	0.00
Excise Duty (Refer Note No. 5 in Schedule 12)		62.12	(30.02)
Manufacturing and Other Expenses	11	3,431.63	3,447.80
Interest and Finance Charges		399.72	7.67
Depreciation		182.41	182.29
		<b>23,429.05</b>	<b>15,876.24</b>
<b>PROFIT BEFORE TAX</b>		<b>866.69</b>	<b>702.87</b>
<b>Provision for tax</b>			
- Current Tax / MAT		146.00	80.00
- Fringe Benefit Tax		0.00	2.00
<b>PROFIT AFTER TAX</b>		<b>720.69</b>	<b>620.87</b>
Balance brought forward from Previous year		228.31	(392.56)
<b>Balance carried to Balance sheet</b>		<b>949.00</b>	<b>228.31</b>
Basic and diluted earning per share (in Rs.) (Refer Note No.11 in Schedule 12)		0.32	0.28
<b>Significant Accounting policies and Notes forming part of the Accounts.</b>	12		

As per our attached report of even date  
**For NATVARLAL VEPARI & CO.**  
 Firm Registration Number: 123626W  
*Chartered Accountants*

**R. N. VEPARI**  
**Partner**  
 Membership No.6728

Surat, 29th May, 2010

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, 29th May, 2010

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	(Rs. in Lacs)	
	<b>As at 31st March 2010</b>	As at 31st March 2009
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
75,00,00,000 (75,00,00,000) Equity Shares of Rs.1/- each	<u>7,500.00</u>	<u>7,500.00</u>
<b>Issued Subscribed and Paid up</b>		
22,20,64,440 (22,20,64,440) Equity shares of Rs.1/- each fully paid up	<u>2,220.64</u>	<u>2,220.64</u>
<b>TOTAL</b>	<u><u>2,220.64</u></u>	<u><u>2,220.64</u></u>

**SCHEDULE 2 : RESERVES AND SURPLUS**

Profit and Loss Account	<u>949.00</u>	<u>228.31</u>
<b>TOTAL</b>	<u><u>949.00</u></u>	<u><u>228.31</u></u>

**SCHEDULE 3 : SECURED LOANS**

Soft loan from promoters	<u>2,900.00</u>	<u>0.00</u>
<b>TOTAL</b>	<u><u>2,900.00</u></u>	<u><u>0.00</u></u>

**Note:**

During the year, security was created in favour of Garden Silk Mills Limited, the promoters in respect of the soft loan of Rs. 2900.00 lacs availed by the Company. The said loan is secured by a charge by way of hypothecation of all the movable plants and machinery and by way of first mortgage and charge on the immovable properties situated in the State of Gujarat and in the Union Territory of Dadra & Nagar Haveli together with immovable plant and machinery of the Company in favour of the Lender.

	(Rs. in Lacs)	
	<b>As at 31st March 2010</b>	As at 31st March 2009
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Trade Deposit	<u>0.00</u>	<u>300.00</u>
Soft loan from promoters	<u>0.00</u>	<u>2,900.00</u>
<b>TOTAL</b>	<u><u>0.00</u></u>	<u><u>3,200.00</u></u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)****SCHEDULE 5 : FIXED ASSETS**

(Rs. in Lacs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2009	Additions during the Year	Adjustment during the Year	Total	As at 01/04/2009	For the Year	Adjustment during the Year	Total	As at 31/03/2010	As at 31/03/2009
1	2	3	4	5	6	7	8	9	10	11
Land	1,246.65	0.00	0.00	1,246.65	199.89	0.00	0.00	199.89	1,046.76	1,046.76
Building	3,104.87	0.00	0.00	3,104.87	2,464.34	36.13	0.00	2,500.47	604.40	640.53
Plant & Machinery	14,110.31	7.99	0.00	14,118.30	13,425.70	143.09	0.00	13,568.79	549.51	684.61
Furniture & Equipment	57.07	0.48	0.00	57.55	43.81	1.92	0.00	45.73	11.82	13.26
Vehicles	13.87	0.00	0.00	13.87	2.34	1.27	0.00	3.61	10.26	11.53
<b>Total</b>	<b>18,532.77</b>	<b>8.47</b>	<b>0.00</b>	<b>18,541.24</b>	<b>16,136.08</b>	<b>182.41</b>	<b>0.00</b>	<b>16,318.49</b>	<b>2,222.75</b>	<b>2,396.69</b>
Previous Year	18,370.89	913.96	752.08	18,532.77	16,609.26	182.29	655.47	16,136.08	2,396.69	
Capital Work-in-Progress									141.75	144.53

\* includes assets impairment provided in earlier years.

(Rs. in Lacs)

<b>As at 31st March 2010</b>	As at 31st March 2009
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**SCHEDULE 6 : INVESTMENTS****A. Long Term Investments (at cost)**

1. Government Security (Unquoted) National Saving Certificate	<b>0.01</b>	0.01
2. Other Investments (Quoted)		
(i) 16600 (16600) Equity Shares of Dena Bank Ltd. of Rs.10 each fully paid up	<b>4.98</b>	4.98
(ii) 15900 (15900) Equity Shares of IDBI Ltd. of Rs.10 each fully paid up	<b>13.46</b>	13.46
(iii) 550000 (550000) Equity Shares of Garden Silk Mills Ltd. of Rs.10 each fully paid up	<b>1,243.59</b>	1,243.59

**B. Current Investments - MUTUAL FUNDS**

2304333.299 (Nil) Units of Birla Sun Life Savings Fund Insti. Growth of Rs.10 each	<b>400.00</b>	0.00
664139.805 (Nil) Units of Birla Sun Life Dynamic Bond Fund- Retail Growth of Rs.10 each	<b>99.00</b>	0.00
722617.118 (Nil) Units of IDFC Money Manager Fund- Investment Plan Growth of Rs.10 each	<b>99.00</b>	0.00
<b>TOTAL</b>	<b>1,860.04</b>	1,262.04

**Notes:**

Aggregate Value of Unquoted Investments	598.01	0.01
Aggregate Value of Quoted Investments	1,262.03	1,262.03
Aggregate Market Value of Quoted Investments (Refer Note No. 9 in Schedule 12)	405.83	231.49

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

(Rs. in Lacs)

	<b>As at 31st March 2010</b>	<b>As at 31st March 2009</b>
<b>SCHEDULE 7 : CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A Current Assets</b>		
<b>Inventories (As taken, valued and certified by the Management):</b>		
Stores, Spares and Chemicals	292.49	99.16
Finished Goods	890.72	499.36
Process Stock	46.51	36.61
Raw Materials	725.47	515.11
Property under Development (Includes Land at revalued cost)	252.94	251.55
Stock in trade (Land at Vareli) (Refer Note No. 4 in Schedule 12)	88.40	88.40
	<u>2,296.53</u>	<u>1,490.19</u>
<b>Sundry Debtors :</b>		
Exceeding six months	111.33	108.98
Other Debts	174.25	348.98
	<u>285.58</u>	<u>457.96</u>
Less: Provision for Doubtful Debts	77.21	77.21
<b>TOTAL</b>	<u>208.37</u>	<u>380.75</u>
Considered Good	208.37	380.75
Considered Doubtful	77.21	77.21
	<u>285.58</u>	<u>457.96</u>
<b>Cash and Bank Balances :</b>		
Cash on hand	5.58	5.43
Balances with scheduled banks		
- In Current Accounts	1,153.15	479.90
- In Fixed Deposit Accounts	2.95	2.95
- In Margin Money Accounts	64.88	28.94
	<u>1,226.56</u>	<u>517.22</u>
<b>B Loans and Advances</b>		
(Unsecured, Considered Good, unless otherwise stated)		
Advances & Loans to Subico Investments, a Partnership firm in which the Company is a Partner	0.24	0.28
Advance Recoverable in cash or in kind or for value to be received	1,672.81	310.99
Balance with Customs, Central Excise & Sales Tax Authorities, etc.	30.66	60.75
Advance Income Tax (including tax deducted at source)	40.44	18.08
	<u>1,744.15</u>	<u>390.10</u>
<b>TOTAL</b>	<u>5,475.61</u>	<u>2,778.26</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

	(Rs. in Lacs)	
	<b>As at 31st March 2010</b>	As at 31st March 2009
<b>SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
<b>(i) Acceptances</b>		
Under usance Letter of Credit	2,569.28	0.00
<b>(ii) Sundry creditors:</b>		
Dues of Micro, Medium and Small Enterprises (Refer Note No. 7 in Schedule 12)	2.69	6.33
Other Liabilities	534.63	639.30
Advance payments and unexpired discounts for the portion for which value has still to be given	293.11	202.14
	<u>3,399.71</u>	<u>847.77</u>
<b>B. Provisions</b>		
For Taxation	230.80	84.80
<b>TOTAL</b>	<u><u>3,630.51</u></u>	<u><u>932.57</u></u>

	(Rs. in Lacs)	
	<u>2009-2010</u>	<u>2008-2009</u>
<b>SCHEDULE 9 : OTHER INCOME</b>		
Rent Income (Tax deducted Rs.10.76 Lacs, Previous Year: Rs.1.65 Lacs)	64.05	64.07
Profit on sale of machinery	0.00	57.27
Interest Income (Tax deducted Rs.1.45 Lacs, Previous Year: Rs. 2.53 Lacs)	19.25	22.88
Dividend Income	8.85	8.74
Miscellaneous Income	0.00	0.02
<b>TOTAL</b>	<u><u>92.15</u></u>	<u><u>152.98</u></u>

	(Rs. in Lacs)	
	<u>2009-2010</u>	<u>2008-2009</u>
<b>SCHEDULE 10 : (INCREASE) / DECREASE IN STOCK</b>		
<b>Opening Stock</b>		
Process Stock	36.61	47.56
Finished Goods	499.36	773.85
	<u>535.97</u>	<u>821.41</u>
<b>Less: Closing Stock</b>		
Process stock	46.51	36.61
Finished Goods	890.72	499.36
	<u>937.23</u>	<u>535.97</u>
(Increase) / Decrease In Stock	<u><u>(401.26)</u></u>	<u><u>285.44</u></u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	(Rs. in Lacs)	
	<u>2009-2010</u>	<u>2008-2009</u>
<b>SCHEDULE 11 :</b>		
<b>MANUFACTUREING AND OTHER EXPENSES</b>		
Consumption of Stores, Spare parts & Chemicals, etc.	<b>682.53</b>	637.54
Packing Expenses	<b>109.10</b>	95.16
Power and Fuel	<b>1,784.84</b>	1,927.57
Rent, Rates and Taxes	<b>152.99</b>	120.36
Repairs and Maintenance :		
Plant & Machinery	<b>35.10</b>	20.36
Buildings	<b>1.52</b>	0.48
Others	<b>0.26</b>	0.68
Payments to and Provision for Employees :		
Salaries, Wages and Bonus	<b>359.09</b>	320.67
Contribution to Provident and Other Funds	<b>26.96</b>	24.18
Staff Welfare Expenses	<b>8.29</b>	8.75
Gratuity	<b>22.86</b>	10.16
	<b>417.20</b>	363.76
Insurance	<b>13.79</b>	11.28
Auditors' Remuneration	<b>4.09</b>	2.86
Share of loss in partnership firm	<b>0.04</b>	0.03
Provision for doubtful debts and bad debts written off	<b>4.14</b>	78.65
General Charges	<b>153.20</b>	130.66
Selling and Distribution Expenses	<b>72.83</b>	58.41
<b>TOTAL</b>	<b><u>3,431.63</u></b>	<b><u>3,447.80</u></b>

## SCHEDULE 12: 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.

**SCHEDULE 12: NOTES FORMING PART OF THE ACCOUNTS (Contd.)****(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.

**(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 and 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.

**(n) Foreign Currency Transactions**

- (i) Transactions denominated in foreign currencies are recorded at the rates of exchange in force at the time transaction are affected.
- (ii) At each Balance Sheet date, unrealized gains or losses on foreign currency transactions on account of increase or decrease in rupee liability as a result of exchange difference between the Balance sheet date rate and the transaction date rate to items of assets and liabilities are recorded to the Profit and Loss account, and accordingly, assets or liabilities are adjusted.

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.
3. 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.
4. During the previous year ended 31st March, 2009, 73664 Sq. Mtrs. of land at Village Vareli, Taluka Palsana, Dist. Surat was converted to stock in trade at book value. The Company had also converted 22637 Sq.Mtrs. of land at Varachha Road from "Property under development" to Fixed Assets at book value.
5. 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.

**SCHEDULE 12: NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

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. 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, 2010. 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.
8. In response to the Company's Misc. Application, a review hearing was held on 16th December, 2009 before the Bench-I of Board for Industrial And Financial Reconstruction (BIFR). The Hon'ble Bench of BIFR, on successful implementation of Sanctioned Scheme, the Net Worth being positive & the accumulated losses of the Company completely wiped out as on 31.03.2009, vide its order dated 18th December, 2009 *inter alia* directed that the Company has ceased to be a sick industrial company, within the meaning of Section 3(1)(o) of the Sick Industrial Companies Act (SICA) and is therefore, discharged from the purview of SICA / BIFR.
9. 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 reflects 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.
10. 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 under.

The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules

A. Amount To Be Recognised in Balance Sheet	(Rs. in Lacs)			
	As at 31st March 2010	As at 31st March 2009	As at 31st March 2010	As at 31st March 2009
	Gratuity (Unfunded)	Gratuity (Unfunded)	Leave encashment (Unfunded)	Leave encashment (Unfunded)
Present value of Unfunded Obligations	53.01	40.17	21.85	25.76
Amounts appearing in Balance Sheet				
Liability	53.01	40.17	21.85	25.76
Assets		0.00		0.00
Net Liability	53.01	40.17	21.85	25.76
<b>B. Expenses Recognised in the Profit and Loss A/c</b>				
Total, included in "Payments to and provision for Employees" (Refer Schedule 11)	22.86	10.16	14.55	15.38
<b>C. Actuarial Assumptions</b>				
Discount Rate (Per Annum)	8.25%	8%	8.25%	8%
Rate of Escalation in Salary (Per Annum)	5%	4%	5%	4%
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)

**11. Earning per share : (AS - 20)**

	2009-2010	2008-2009
Net Profit as per profit and loss account. (Rs. in Lacs)	720.69	620.87
Weighted average number of Equity shares outstanding	222,064,440	222,064,440
Basic and diluted earning per share. (in Rs.)	0.32	0.28
Face Value	Rs.1/- per Share	Rs.1/- per Share

**SCHEDULE 12: NOTES FORMING PART OF THE ACCOUNTS (Contd.)****12. Related Party disclosures:**

As per Accounting Standard 18, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below

**(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) Transactions during the year with related parties:**

Name of the Related Parties	Nature of Relationship	Amount of Transactions (Rs. In lacs)	Nature of Transactions	Balance outstanding as on 31/03/10 (Rs. In Lacs)
1. Subico Investment *	Partner	0.04 (0.03) 0.00 (0.10)	Share of Loss Given on Account	0.24 (0.28)
2. Garden Silk Mills Ltd.	Associated Company	3195.19 (2572.28) 1911.15 (1778.23) 84.30 (90.00) 362.50 (0.00) 0.00 (5.01) 17897.68 (11402.95) 0.00 (270.54) 70.54 (64.05) 20559.12 (12086.71) 8860.32 (5616.40) 300.00 (0.00)	Purchases Electric Power & Utility Exps. Rent Paid Interest on Secured Loan Telephone Bills & Other Exps. Sales Job Charges Income Rent Income Receipt under current a/c Payment under current a/c Payment of Trade Deposit	672.89 Dr. (-43.39) Cr. Nil (300.00)
* Dissolved on 31/01/2010				
<b>Note:</b> Figures in bracket pertains to previous year.				

**13. Payment to auditors:**

	(Rs. In Lacs)	
	2009-2010	2008-2009
(i) Audit Fees	3.15	2.15
(ii) Tax audit fees	0.60	0.40
(iii) Cost audit fees	0.34	0.31

**14. (a) Licensed Capacity**

	2009-2010	2008-2009
	N.A.*	N.A.*

\* Delicensed Vide Notification No. 477(E) dt. 27th July, 1991.

**SCHEDULE 12: NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

	Unit	2009-2010	2008-2009
(b) <b>Installed Capacity</b>			
Spindles (Cotton Spinning)	Nos.	<b>29,728</b>	29,728
Polyester Chips	TPA	<b>25,000</b>	25,000
Polyester Filament Yarn	TPA	<b>5,000</b>	5,000
Spindles (Synthetic Fiber Spinning)		<b>13,580</b>	13,580

**Note:** The installed capacity is certified by a Director and being a technical matter is accepted by the Auditors without verification.

	Unit	2009-2010	2008-2009
(c) <b>Production</b> (Not including products procured on Job work)			
Spun Yarn	Kgs.	<b>917,779</b>	757,118
Polyester Filament Yarn	Kgs.	<b>7,916,781</b>	7,141,606
Polyester Chips	Kgs.	<b>15,394,423</b>	24,541,971
Methanol	Kgs.	<b>26,355</b>	21,240

15. (a) <b>Turnover</b>	Unit	2009-2010		2008-2009	
		Qty.	Rs. in Lacs	Qty.	Rs. in Lacs
M.E.G.	Kgs.	<b>5,097,920</b>	<b>2,476.59</b>	91,295	34.13
P.T.A.	Kgs.	<b>14,253,000</b>	<b>7,167.12</b>	0	0.00
Spun Yarn	Kgs.	<b>944,384</b>	<b>1,373.66</b>	797,456	1,167.40
Polyester filament Yarn	Kgs.	<b>7,618,447</b>	<b>6,824.81</b>	7,463,214	6,556.70
Polyester Chips	Kgs.	<b>12,344,005</b>	<b>8,130.91</b>	15,187,265	9,604.39
Spin finish oil	Kgs.	<b>0</b>	<b>0.00</b>	4,000	4.93
Others	Mtrs & Kgs	<b>216,311</b>	<b>50.83</b>	356,393	99.26
(b) <b>Consumption of Raw Materials</b>					
M.E.G.	Kgs.	<b>5,697,484</b>	<b>1,880.02</b>	7,053,127	2,543.02
P.T.A.	Kgs.	<b>13,165,000</b>	<b>5,543.03</b>	16,990,000	6,782.59
Polyester Chips	Kgs.	<b>4,820,961</b>	<b>2,962.09</b>	3,044,319	1,882.75
Cotton & Fibers	Kgs.	<b>946,662</b>	<b>819.12</b>	777,932	674.24
Spun Yarn	Kgs.	<b>0</b>	<b>0.00</b>	4,639	12.37
Spin finish oil	Kgs.	<b>74,271</b>	<b>111.73</b>	71,802	88.09
(c) <b>Opening Stock</b>					
<u>Finished Goods</u>					
Spun Yarn	Kgs.	<b>63,621</b>	<b>100.25</b>	104,354	170.90
Polyester filament Yarn	Kgs.	<b>79,661</b>	<b>52.86</b>	401,268	314.59
Polyester Chips	Kgs.	<b>688,598</b>	<b>341.68</b>	429,475	278.46
Cloth	Mts	<b>0</b>	<b>0.00</b>	3,280	1.38
Others	Kgs.	<b>43,799</b>	<b>4.57</b>	29,925	8.52
(d) <b>Closing stock</b>					
<u>Finished Goods</u>					
Spun Yarn	Kgs.	<b>40,369</b>	<b>56.53</b>	63,621	100.25
Polyester filament Yarn	Kgs.	<b>377,994</b>	<b>323.42</b>	79,661	52.86
Polyester Chips	Kgs.	<b>734,288</b>	<b>503.15</b>	688,598	341.68
Others	Kgs.	<b>34,701</b>	<b>7.63</b>	43,799	4.57
(e) <b>Purchase</b>					
M.E.G.	Kgs.	<b>5,000,000</b>	<b>2,178.79</b>	0	0.00
P.T.A.	Kgs.	<b>14,064,000</b>	<b>6,259.64</b>	0	0.00

**SCHEDULE 12: NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

16. Value of imported and indigenous Raw Material, Stores, Spare parts, Components &amp; Chemicals consumed

	2009-2010		2008-2009	
	%	Rs. in Lacs	%	Rs. in Lacs
(a) Raw Materials				
Imported	0.99	111.74	0.61	72.53
Indigenous	99.01	11,204.25	99.39	11,910.53
	<b>100.00</b>	<b>11,315.99</b>	100.00	11,983.06
(b) Stores, Spare parts, Component and Chemicals consumed				
Imported	83.03	566.68	81.95	522.49
Indigenous	16.97	115.85	18.05	115.05
	<b>100.00</b>	<b>682.53</b>	100.00	637.54

17. (a) CIF Value of Imports		2009-2010	2008-2009
(i) Raw Material		8,625.39	99.90
(ii) Stores, Spare parts, Components & Chemicals		600.98	276.49
(b) Earnings in Foreign currency.			
FOB Value of Export		30.17	136.57

18. Previous year's figures have been regrouped wherever necessary to conform to current years classification.

19. 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.**  
 Firm Registration Number: 123626W  
*Chartered Accountants*

**R. N. VEPARI**  
**Partner**  
 Membership No. 6728

Surat, 29th May, 2010

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, 29th May, 2010

**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. <b>Registration details</b>	Registration No.	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="4"/>	State Code	<input type="text" value="0"/> <input type="text" value="4"/>
	Balance Sheet Date.	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="0"/>		
		Date	Month	Year
2. Capital raised during the Year (Amount in Rs. Thousand)				
Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		Right Issue	
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	
			Private Placement	
			<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	
3. Position of mobilisation and deployment of funds (Amount in Rs. Thousand)				
Total Liabilities	<input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="5"/>		Total Assets	
<b>Sources of Funds</b>			<input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="5"/>	
Paid-Up Capital	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="4"/>		Reserves & Surplus	
Secured Loans	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>		<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="0"/>	
<b>Application of Funds</b>			Unsecured Loans	
Net Fixed Assets	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="0"/>		<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	
Net Current Assets	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="0"/>		Investments	
Accumulated Losses	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="4"/>	
4. Performance of Company (Amount in Rs. Thousand)			Misc. Expenditure	
Turnover (Gross Revenue)	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="4"/>		<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	
+ - Profit / Loss Before Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="9"/>		Total Expenditure	
+ - Profit / Loss After Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="9"/>		<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="5"/>	
(Please tick appropriate box + for Profit - for Loss)			Dividend Rate %	
Earning Per Share in Rs.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="3"/> <input type="text" value="2"/>		<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	
5. Generic names of three principal product / service of the Company (as per monetary terms)				
Item code No. (ITC Code)	<input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/>			
Product Description	C O T T O N Y A R N			
Item code No. (ITC Code)	<input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/>			
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)	<input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="0"/>			
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.**  
 Firm Registration Number: 123626W  
 Chartered Accountants

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

**R. N. VEPARI**  
 Partner  
 Membership No.6728

**S.M. VIG**  
 Director

**Y.C. PAPAIIYA**  
 Director

**C.S. PUNJABI**  
 Secretary

Surat, 29th May, 2010

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

(Rs. in lacs)

	<b>Year ended 31st March, 2010</b>	<b>Year ended 31st March, 2009</b>
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before tax	<b>866.69</b>	702.87
Adjustments for		
Depreciation	<b>182.41</b>	182.29
Interest and Finance Charges	<b>399.72</b>	7.67
Interest Income	<b>(19.25)</b>	(22.88)
Profit/(Loss) on sale of fixed Assets	<b>0.00</b>	(57.27)
Provision for doubtful Debts & Bad Debts written off	<b>4.14</b>	78.65
Dividend Income	<b>(8.85)</b>	(8.74)
Operating Profit before Working Capital Changes.	<b>1,424.86</b>	882.59
Adjustments for		
Decrease/(Increase) in Trade & Other Receivables	<b>(1,164.66)</b>	251.37
(Increase)/decrease in Inventories	<b>(806.34)</b>	223.80
(Decrease)/Increase in Trade Payables	<b>2,551.94</b>	(1,082.07)
Cash Generated from Operations	<b>2,005.80</b>	275.69
Direct Taxes (Paid)/Refund	<b>(20.91)</b>	(5.00)
<b>Net Cash Flow from Operating Activities</b>	<b>1,984.89</b>	270.69
<b>B. Cash Flow From Investing Activities</b>		
Purchase of fixed Assets	<b>(8.47)</b>	(8.50)
Decrease in Advance for Fixed Assets	<b>2.78</b>	2.95
Sale of Fixed Assets	<b>0.00</b>	65.48
Purchase of Investments	<b>(598.00)</b>	0.00
Dividend Income	<b>8.85</b>	8.74
Loan to other Companies / Firms	<b>0.04</b>	(0.07)
<b>Net Cash Flow from Investing Activities</b>	<b>(594.80)</b>	68.60

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010 (Contd.)**

(Rs. in lacs)

	<b>Year ended 31st March, 2010</b>	Year ended 31st March, 2009
<b>C. Cash Flow From Financial Activities</b>		
Repayment of Borrowings	<b>(300.00)</b>	0.00
Interest & Other Finance Income / Charges	<b>(380.75)</b>	9.38
<b>Net Cash Flow from Financial Activities</b>	<b>(680.75)</b>	9.38
Net Increase/(Decrease) in Cash & Cash Equivalents	<b>709.34</b>	348.67
Opening Balance of Cash and Cash Equivalents	<b>517.22</b>	168.55
Closing Balance of Cash and Cash Equivalents	<b>1,226.56</b>	517.22

As per our attached report of even date

**For NATVARLAL VEPARI & CO.**

Firm Registration Number: 123626W

*Chartered Accountants***R. N. VEPARI****Partner**

Membership No. 6728

Surat, 29th May, 2010

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, 29th May, 2010



# SURAT TEXTILE MILLS LIMITED

Regd. Office: Garden Mills' Complex, Sahara Gate, Surat 395 010.

## 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-FOURTH ANNUAL GENERAL MEETING** to be held on Wednesday, the 28th day of July, 2010 at 10:30 a.m. or  
at any adjournment thereof.

Ledger Folio No. \_\_\_\_\_

DP ID \* : \_\_\_\_\_

Client ID \* \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Please  
Affix  
Re. 0.15  
Revenue  
Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\* Applicable for the members holding shares in electronic form.

(Signature of the Member)

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 395 010.

## 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-FOURTH ANNUAL GENERAL MEETING** of the Company at Garden Mills' Complex, Sahara Gate, Surat 395 010, on Wednesday, the 28th day of July, 2010 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.