

Annual Report

2011-2012



SURAT TEXTILE MILLS LIMITED

BOARD OF DIRECTORS *

Sanjay S. Shah	Managing Director
M. R. Momaya	Director
Y. C. Papaiya	Director
Harish Bharucha	Director

* As on 30th May, 2012

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. Vareli Complex,
Village Vareli, Taluka Palsana,
Dist. Surat - 394 327
Tel. No. (02622) 271241-47
- ii. Village Jolwa, Taluka Palsana,
Dist. Surat - 394 305
Tel. No.: (02622) 271287-89
- iii. Survey No. 285, Village Khadoli,
Silvassa-Khanvel Road,
Silvassa (DNH).
Tel. No.: (0260) 2699009

REGISTRARS AND TRANSFER AGENTS

Karvy Computershare Private Limited

Plot No. 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel. No.: 040-44655000
Fax No.: 040-23420814
e-mail: einward.ris@karvy.com
[http:// www.karvy.com](http://www.karvy.com)

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

**66th Annual General Meeting on Monday, 30th July, 2012
at 10.30 a.m. at the Registered Office of the Company.**

NOTICE

NOTICE is hereby given that the Sixty-sixth Annual General Meeting of the Members of **SURAT TEXTILE MILLS LIMITED** will be held on **Monday, 30th July, 2012 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 Statement of Accounts together with Directors Report as also the Auditors' Report thereon for the year ended 31st March, 2012.
2. To appoint a Director in place of Shri Y. C. Papaiya, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Shri Sanjay S. Shah, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article No. 165(b) of the Articles of Association of the Company and who holds the office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director u/s 257 of the Companies Act, 1956, being eligible for appointment to the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

5. 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, 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 and subject to such approvals and sanctions as may be necessary, the Company hereby accords its approval to the appointment of Shri Sanjay S. Shah as Managing Director of the Company, for a period of 5 (five) years with effect from 30th May, 2012 to 29th May, 2017, on the terms and conditions and remuneration as set out in the agreement entered into between the Company and Shri Sanjay S. Shah, a copy whereof is placed before the Meeting duly initiated for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors to enter 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 Shri Sanjay S. Shah), in such manner as may be agreed to between the Board of Directors and Shri Sanjay S. Shah, provided however, that the remuneration payable to Shri Sanjay S. Shah shall not exceed the limits specified in the said agreement and also the limit prescribed under Schedule XIII to the Companies Act, 1956 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 Shri Sanjay S. Shah, the remuneration payable to him 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 of Directors of the Company (including any Committee of Directors) be and is hereby authorised vary and/or revise the remuneration of Shri Sanjay S. Shah as Managing Director with the overall limits under the said Act and to do all such acts, deeds and things and execute all such 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 the aforesaid resolutions."

By Order of the Board of Directors

Sanjay S. Shah
Managing Director

Surat, 30th May, 2012.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and 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 less than 48 hours before the commencement of the Meeting.
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item Nos. 4 and 5 of the Notice as set out above, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 21st July, 2012 to Monday, 30th July, 2012 (both days inclusive).
5. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Company's Share Transfer Agent M/s. Karvy Computershare Private Limited, for consolidation into a single folio.
6. The unclaimed dividend upto the financial year ended 31st March, 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 Sections 205A(5) and 205C of the Companies Act, 1956, unclaimed dividend for the financial year 1995-96 have been transferred to the Investor Education and Protection Fund (the IEPF) established by the Central Government. The Company did not declare any dividends on equity shares for the financial years 1996-97 and onwards. Please note 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 Accounts are requested to inform the Company at least seven days in advance of the Annual General Meeting.
9. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company/Registrars and Transfer Agent, M/s. Karvy Computershare Private Limited

NOTICE (Contd.)

10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding share in physical form can submit their PAN details to the Company/ Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited.
11. Non-Resident Indian Members are requested to inform to the Registrars and Transfer Agents of the Company, M/s Karvy Computershare Private Limited of:
- Change in their residential status on return to India for permanent settlement.
 - Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
12. 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.
13. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The Nomination Form-2B, prescribed by the Government for the purpose, can be obtained from the Share Department or the Share Transfer Agent of the Company.
14. As a part of Green Initiatives in the Corporate Governance, The Ministry of Corporate Affairs vide its Circular Nos. 17 & 18 dated 21st April, 2011 and 29th April, 2011 respectively, clarified that a company would have complied with Section 53 of the Companies Act, 1956, if the service of the document has been made through electronic mode, provided the Company has obtained e-mail addresses of its members for sending the notice/ documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company.
- Accordingly, the members are requested to intimate their e-mail address to the Company's Registrar and Share Transfer Agent, M/s. Karvy Computershare Private Limited to their dedicated E-mail I.D. i.e., "stm.cs@karvy.com" and to the DP in respect of shares held in physical mode and demat mode respectively, in case the members wish to avail the aforesaid facility.
15. As required under the Revised Clause 49 IV G (i) of the Listing Agreement executed with the stock exchanges brief profiles of Directors are given as Annexure to the Notice.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**Item No. 4**

The Board of Directors of the Company at their meeting held on 8th May, 2012 appointed Shri Sanjay S. Shah as an Additional Director of the Company. The said appointment was in pursuance of the provisions of Section 260 of the Companies Act, 1956 and accordingly the said Director holds office up to the date of this Annual General Meeting. The Company has received a notice in writing along with the necessary amount as deposit from a member signifying his intention to propose his candidature for the office of the Director, in terms of Section 257 of the Companies Act, 1956.

The Board commends the Resolution at Item No. 4 for approval of members. Shri Sanjay S. Shah may be deemed to be concerned or interested in the said resolution relating to his appointment. No other directors are in any manner concerned or interested in the said resolution.

Item No. 5

Resolution under Item No. 5 of the Notice relates to the appointment of Shri Sanjay S. Shah as Managing Director of the Company for a period of five years from 30th May, 2012 to 29th May, 2017.

Shri Sanjay S. Shah who is B.A. from Essex University, U.K. has expertise in the field of Yarn Preparatory and Weaving. He possesses wide experience in overall business management particularly with regard to textile industry and has more than three decades of experience in Senior Corporate Management.

He has been on the Board of Directors of group company Garden Silk Mills Limited. During these years, he has performed the functions exceedingly well by assisting the Company in HRD and Administrative matters also.

In view of Shri Sanjay S. Shah having vast experience of Indian textile industry and in depth knowledge of the relevant field, the Board of Directors, at their meeting held on 30th May, 2012, had approved the same. The Remuneration Committee and the Board of Directors of the Company are of the opinion that he is fit and proper person to hold the said office and his appointment will be in the interest of the Company. The remuneration of Shri Sanjay S. Shah 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 material terms of remuneration of Shri Sanjay S. Shah effective from 30th May, 2012 to 29th May, 2017 as approved by both Remuneration Committee and Board of Directors in their respective meetings held on 30th May, 2012 are as under.

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 30th May, 2012 to 29th May, 2017

II. Remuneration:

- Salary:** upto ₹ 1,50,000/- (Rupees One Lac Fifty Thousand only) 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.
- Perquisites and Allowances:**
 - In addition to the salary and commission, Shri Sanjay S. Shah shall 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.
 - Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent

NOTICE (Contd.)

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 travelling 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 Managing 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.

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 3 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 Sections 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.

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 Board commends the Resolution at Item No. 5 for your approval.

The copy of the 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.

An abstract of Terms and Memorandum of Interest of the Director under Section 302 of the Companies Act, 1956, pertaining to the appointment and remuneration payable to Shri Sanjay S. Shah has been duly sent to the members.

Since the resolution at Item No. 5 relates to payment of remuneration to Shri Sanjay S. Shah, he is deemed to be concerned or interested in the said Resolution. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

By Order of the Board of Directors

Sanjay S. Shah
Managing Director

Surat, 30th May, 2012.

Particulars of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Shri Y. C. Papaiya	Shri Sanjay S. Shah
Date of Birth	15.12.1952	19.02.1956
Date of Appointment on the Board	23.10.2000	01.05.2012
Qualifications	Fellow Member of Institute of Chartered Accountants of India (ICAI).	B.A. from Essex University, U.K.
Expertise in functional areas	He has over 28 years of experience in the field of Finance, Accounting and Auditing. He is also associated with the Group as Consultant and rendering his professional services to other companies also.	Well known industrialist having more than 3 decades of experience in the business of manmade textiles, technology and general management.
Directorship held in other companies	1. Saanika Textiles Private Limited	1. Garden Silk Mills Limited 2. Kashah Investments Limited
Chairmanships / Memberships of Committee	Nil	Nil
No. of shares held in the Company	Nil	3854131
Relationship between directors Inter-se	-	-

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

To the Members of Surat Textile Mills Limited

Your Directors are pleased to present their 67th report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended 31st March 2012.

Summarised Financial Results

	(₹ in Lacs)	
	2011-12	2010-11
Revenue from Operations (Net of excise duty)	18841.79	27162.09
Other Income	2896.21	115.67
Profit before interest, depreciation and tax	3190.92	1639.08
Interest and Finance Charges	285.36	385.35
Profit before Depreciation and Tax	2905.56	1253.73
Depreciation	154.54	167.88
Profit before Tax	2751.02	1085.85
Provision for Tax	772.99	248.20
Profit for the year	1978.03	837.65

Dividend

In order to strengthen the reserves of the Company, your directors consider it prudent to plough back the profits and not to recommend any dividend for the financial year 2011-12.

Review of Operations

During the year under review, your Company achieved revenue from operations of ₹ 188.42 Crore as compared to ₹ 160.43 Crore (net of trading sales of ₹ 111.19 Crore) in the previous year.

In view of the volatility in raw material prices prevailed throughout the year, your Company considered it appropriate to discontinue the trading activities in the current year and focused on its core business operations.

Your Company achieved sale of Polyester Chips of ₹ 122.59 Crore as compared to ₹ 97.47 Crore during the previous year, an increase of about 26%. The Company maintained its sale of Polyester Filament Yarn (PFY) at ₹ 72.69 Crore for the year as compared to ₹ 72.94 Crore in the previous year. The sale of Spun Yarn was adversely affected due to subdued market conditions and competitive pressures.

The production of PFY during the year was at 5884 MT as compared to 7310 MT achieved in the previous year. The lower production was primarily on account of subdued market conditions, demand recession and price fluctuations in raw materials during the year. The production of chips during the year was also marginally lower at 15653 MT as compared to 16225 MT achieved in the previous year.

Fluctuation in raw material prices coupled with competitive pressures continued to hamper the profitability of the Company. Moreover, the increase in the cost of major inputs could not be entirely passed on to the customers.

During the year under review, your Company disposed off some of its surplus land and building thereon. The sale proceeds were utilized towards repayment of the loan from promoters. The net surplus realized on disposal of such assets forms part of other income.

The overall volume of Company's manufacturing activity of Cotton Spun Yarn and doubling of polyester / cotton / viscose yarn at its plant located at Silvassa and the margins from such activity remained under pressure during the year. This was primarily on account of high price of cotton single yarn and other input costs coupled with poor demand growth of the product and un-remunerative price realization. Under the circumstances, the management has decided to partially shift the machineries to another location in order to put it in use and to dispose of the remaining freehold land along with

building, plant and machinery and other assets of such undertaking in one or more trenches from time to time. The Company has obtained the shareholders' approval through postal ballot process to give effect to the aforesaid transaction.

Overview of Economy

India's economic growth rate slipped to 5.3 per cent in the fourth quarter of 2011-12, lowest in nearly 9 years due to poor performance of the manufacturing and farm sectors. The Gross Domestic Product (GDP) growth in January-March quarter of 2010-11 was 9.2 per cent. GDP in 2011-12 also moderated to 6.5 per cent from 8.4 per cent in the 2010-11. As per RBI's credit policy, growth is likely to improve moderately in 2012-13 while inflation has moderated; risks to inflations are still on the upside.

Growth in emerging markets, especially China and India is slowing beyond what was earlier anticipated. In spite of a deep in growth, the world economy is unlikely to lapse into another recession. The growth slowdown has been driven by a sharp fall in investment, some moderation in private consumption and a fall in next external demand.

The path of inflation in 2012-13 could remain sticky around current levels due to high oil prices, large suppressed inflation, exchange rate pass through, hike in freight etc. On the macro economy level the GDP growth for 2012-13 have been estimated at 7.6% +/- 0.25% and the fiscal deficit is targeted at 5.1% of GDP.

Chinese Yuan appreciated about 3.47% in the current fiscal as compared to Rupee which depreciated 24.70% making textile products more competitive in the export market, while at the same time making imports more costly. In China average wage cost is increasing over the years. Further higher ageing population is expected to cause wage inflation to rise at an even brisker pace.

Industry Scenario

The Indian textile industry is currently passing through a turbulent phase. With the global downturn ravaging economies, the textile sector is one of the worst hit. The prospect of synthetic textile industry in short term is linked with the domestic demand growth viz-a-viz the movement of crude oil prices in international markets.

The production growth in case of PFY was low due to sluggish demand. In Polyester Chips, the domestic supply has increased with the start-up of new C.P. Plants and outstrips demand. This has put pressure on sales and margins.

In the budget 2012-13, the Central Excise Duty has been raised to 12% from the existing level of 10%. Inflation continued to play a vital role in the economic growth. The increase in raw material prices and input costs during the year has been the major cause of concern.

Raw material price of PTA and MEG were hovering around USD 1400 and USD 1200 per metric ton respectively during April, 2011. The prices started to taper down from September, 2011 and reached a low of around USD 1100 and USD 1000 per metric ton.

As per CRISIL research, demand growth for Polyester Staple Fiber (PSF) and Viscose Staple Fiber (VSF) is expected to be moderate, while consumption of Partially Oriented Yarn (POY) and Viscose Filament Yarn (VFY) is expected to decline due to overall slowdown in textile consumption in both the domestic and global markets.

Feedstock [PTA (Purified Terephthalic Acid) and MEG (Mono Ethylene Glycol)] prices are expected to remain firm in 2011-12 and soften in 2012-13 following the anticipated correction in naphtha and ethylene prices.

Opportunities, Threats and Challenges

The average per capita consumption of fabrics in India is much lower than its neighbouring countries. India has the advantage of large growing domestic market and a good GDP growth.

Revised TUF scheme would motivate the players in the industry to make further investments looking to the opportunity available both in the overseas and domestic markets.

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

The polyester industry is dependent on the international prices of crude oil, which directly impacts the price of both our key raw materials PTA and MEG. In the domestic market uncertain supply of raw material and price volatility could have an adverse impact on the performance of the Company.

Slowing down of Indian economy in general and the lower demand growth may further reduce the growth of the industry. Price realization of PFY is partly dependent on cotton yarn prices. If demand of finished products stagnates, margins in the Company's product i.e. Chips and PFY will be affected, given the large capacities in place.

The continuing demand sluggishness and oversupply situation does not indicate an immediate upswing in the performance of Polyester industry. However, with a lot of global feedstock capacities expected to go onstream, this may result in a softening of feedstock prices and improvement in margins.

The Company is facing challenge in terms of higher production costs due to high power cost, fuel oil and other inputs etc. as compared to its peers in the neighboring states.

There is also a threat of high inflation rate as the prices of commodities have been increasing. Textile being a labour intensive industry, rising labour and skilled human resource costs can put pressure on margins.

Large fluctuations in crude oil prices and the consequent impact on raw material and polyester prices hurt growth. Large volatility in the international markets especially on the down side will have adverse temporary effects on the polyester industry.

For sale of chips and yarns outside of Gujarat State, the Company has a disadvantage compared with sales tax exempted units in Silvassa and Daman. The Government intends to introduce GST to overcome this situation and provide level playing field. Until then the disadvantage will continue.

Slowdown in India's major export market viz. USA and Europe, resulting into consolidation of sourcing; thereby affecting the small players in terms of loss of business.

Business Outlook

The growth in demand is expected in the medium term to rely on high consumption in the domestic market. Your Company is committed to build business with long term goal based on your Company's intrinsic strength in terms of product quality and customer network.

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

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

The introduction of GST in the coming years should see a level playing field between your Company and other companies which are tax-exempt. This should further improve margins for your Company in the long run, other things being same.

The demand for polyester filament yarn is growing briskly. However, the current year will see a large increase in POY capacity, well in excess of demand. This will put a pressure on POY margins, which are expected to be lower than last year.

The Company will continue to focus on specialty and differentiated products in yarn and chips segment.

Internal Control

The Company has an adequate internal audit system commensurate with its size and nature of operations. All the major business processes

are currently run on the ERP system. The internal control system is supported by the internal audit process. The internal audit department review and ensures that the audit observations are acted upon. The Audit Committee of the Board reviews the internal audit report and the adequacy and effectiveness of internal control.

Risk Management

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates, commodity prices, business risk, compliance risks and people risks.

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all of its products. The Company proactively manages these risks in inputs through forward booking, inventory management, proactive management of vendor development and relationships. The Company's strong reputation for quality, product differentiation and services, the existence of a powerful brand image and a robust marketing network mitigates the impact of price risk on finished goods.

The Company is exposed to risks attached to various statutes and regulations including the Competition Act, 2002. The Company is mitigating these risks through regular reviews of legal compliances, through internal as well as external compliance audits.

Health, Safety and Environmental Measures

Your Company is conscious of the importance of environmentally clean and safe operations. Your 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 and expectations may be "forward looking statement" within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectation of future events. Actual results might differ materially from those either expressed or implied.

Directorate

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Y. C. Papaiya, Director, retire by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

The Board at its meeting held on 8th May, 2012, appointed Shri Sanjay S. Shah as an additional director who will hold office as Director up to the date of the forthcoming Annual General Meeting. A notice in writing has been received from a member of the Company under section 257 of the Companies Act, 1956, signifying his intention to propose Shri Sanjay S. Shah as a candidate for the office of Director of the Company.

In the subsequent Board Meeting held on 30th May, 2012, the Board had, subject to the approval of shareholders in the forthcoming General Meeting, appointed Shri Sanjay S. Shah, as Managing Director of the Company for a term of five years effective from 30th May, 2012 to 29th May, 2017. On the recommendations of Remuneration Committee the Board has fixed the remuneration of Shri Sanjay S. Shah for a period of five years. Your Directors commend the resolutions for the appointment and remuneration of Shri Sanjay S. Shah for your approval.

Shri M. R. Momaya, Wholetime Director of the Company requested the Members of the Board to relinquish him from the responsibilities of Wholetime Director and submitted his resignation to the Members of the Board. Shri M. R. Momaya will however continue to be a Member of the Board as non-executive Director.

Smt. Shilpa P. Shah, Wholetime Director of the Company submitted her resignation as Member of the Board with effect from 30th May, 2012.

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

While accepting Smt. Shilpa Shah's resignation, the Members of the Board placed on record their sincere appreciation of the valuable services rendered by her during her tenure as a Director of the Company.

Finance and Accounts

The observations made by the Auditors in their Report have been clarified in the relevant notes forming part of the Accounts which are self-explanatory. The Schedule VI of the Companies Act, 1956 has been revised by the Ministry of Corporate Affairs vide its notification dated February 28, 2011. The notification is in force and is applicable for all Balance Sheets and Statement of Profit and Loss to be prepared for the financial year commencing on or after April 1, 2011. Therefore, the previous period figures have been regrouped / re-cast wherever necessary.

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, Technology and Foreign Exchange

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required, to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Directors) Rules, 1988 is annexed herewith and forms part of this report.

Human Resources and Industrial Relations

Your Company recognizes human resources as the backbone of its long term success and has tried continuously to provide a challenging work environment thereby adding value to their professional growth. Our relationship with the employees continuous to remain cordial at all units.

Particulars of Employees

Information as per section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forms a part of this report and will be sent on demand to the shareholders. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary.

Insurance

The properties and insurable assets and interests of your Company, like building, plant and machinery and stocks, among others, are adequately insured.

Auditors

Messrs Natvarlal Vepari & Co., Chartered Accountants, who are Statutory Auditors of the Company hold office upto the forthcoming Annual General Meeting and are recommended for re-appointment to audit the accounts of the Company for the Financial Year 2012-13. As required under the provisions of the Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from Messrs Natvarlal Vepari & Co. that their appointment if made would be in conformity with the limits specified in the Section.

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

Cost Auditors

As per the requirement of the Central Government and pursuant to the provisions of Section 233B of the Companies Act, 1956, the audit of the cost accounts relating to textiles is being carried out every year.

The Central Government has approved the appointment of M/s P.M. Nanabhoy & Co., Cost Accountants as Cost Auditors, Mumbai for conducting cost audit for the financial year 2011-12. The cost audit report in respect of financial year 2011-12 will be filed on or before the due date. The cost audit report for the Financial Year 2010-11 which was due to be filed with the Ministry of Corporate Affairs on 30th September, 2011 was filed on 21st September, 2011.

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 the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, your Directors report that

- (i) in the preparation of the annual accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- (ii) they have selected such accounting policies, and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profits of the Company for the year ended on that date;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the annual accounts have been prepared on a going concern basis.

Reports on Corporate Governance

Your Company continuous to be committed to good Corporate Governance aligned with good practices. Your Company is in compliance with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate report on Corporate Governance along with the Auditors' Certificate on compliance with the Corporate Governance as stipulated in Clause 49 is set out in this Annual Report and forms part of this report.

Appreciation

Your Directors place on record their appreciation for the continued support and co-operation received from customers, suppliers, dealers, banks 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

Sanjay S. Shah
Managing Director

Surat, 30th May, 2012.

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

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:
- The Company makes an ongoing study to identify and implement energy saving system to reduce energy consumption and cost of production.
 - 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.

FORM "A"

Form for Disclosure of Particulars with respect to Conservation of Energy.

	2011-12	2010-11
A. Power and Fuel Consumption		
1. Electricity		
a. Purchased Unit in lacs	154.17	176.08
Total amount ₹ in lacs.	1347.44	1290.27
Rate / Unit ₹	8.74	7.33
b. Own Generation		
i. Through Diesel Generator		
Units in lacs	NIL	NIL
Units per Ltr. of Diesel Oil	NIL	NIL
Unit per SCM of Gas Consumption	NIL	NIL
Cost/Unit ₹	NIL	NIL
ii. Through Steam turbine/Generator		
Units	NIL	NIL
Units per Ltr. of fuel oil/gas	NIL	NIL
Cost/Unit ₹	NIL	NIL
2. Coal/Lignite for Generation of Steam		
Quantity (M.T.)	NIL	NIL
Total Cost ₹ in lacs	NIL	NIL
Average rate ₹/M.T.	NIL	NIL
3. Furnace Oil		
Quantity (K. Ltrs.)	81	546
Total Amount ₹ in lacs.	32.99	135.78
Average rate ₹/ Ltr.	40.73	24.87
4. Others/Internal generation		
Quantity	NIL	NIL
Total Cost	NIL	NIL
Rate / Unit ₹	NIL	NIL
B. Consumption Per Unit of Production		
Product Details	SPUN YARN	SPUN YARN
Unit	Kg.	Kg.
Electricity (Unit) *	5.37	4.62
Product Details	PFY	PFY
Unit	Kg.	Kg.
Electricity (Unit) *	1.56	1.38

	2011-12	2010-11
Product Details	CHIPS	CHIPS
Unit	Kg.	Kg.
Electricity (Unit) *	0.23	0.21
Furnace Oil	NIL	NIL
Coal/Lignite (Kg.)	NIL	NIL
Others	NIL	NIL

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

II. TECHNOLOGY ABSORPTION

Efforts made in Technology absorption as per Form - B

a) Research & Development (R & D)

1. Specific areas in which R & D carried out by the Company:
 - Productivity enhancement and development of new products.
 - The Company has quality control department to check the quality of different products manufactured.
2. Benefits derived as a result of the above efforts:
 - Reduction in operating and maintenance costs.
 - Improvement in quality, customer satisfaction and enlargement of market base.
3. Future Plan of Action
 - Management is committed to strengthen quality control department, further to improve its competitiveness in times to come with productivity enhancement and development of new products.
4. Expenditure on R & D:
 - The Company, from time to time exposes itself to better technology and keeps itself abreast of technological improvements.

(i) Capital expenses	Nil
(ii) Recurring expenses	Nil
(iii) Total	Nil
(iv) Total R & D expenditure as a % of total turnover	Not Applicable

Technology absorption, adaptation and innovation

1. The Company has not taken any new technology in particular or entered into any technology agreement during the period hence the information required as per Form D is not applicable.
2. The technology used by the Company is indigenously developed and no technology has been imported.

(i) Technology imported	Nil
(ii) Year of import:	Not Applicable
(iii) Has the technology been fully absorbed:	Not Applicable

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and exports plans:

Efforts were made to export the products of the Company in international market, however, due to subdued market conditions and the competitive pressure, the Company could not export its products during the year.
2. Total foreign exchange earnings and outgo : Nil.

By Order of the Board of Directors

Sanjay S. Shah
Managing Director

Surat, 30th May, 2012.

REPORT ON CORPORATE GOVERNANCE

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 Code of Corporate Governance as prescribed in the Listing Agreement and in this regard the following details are provided for the information of stakeholders and public at large.

A. MANDATORY REQUIREMENTS

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company is continuously working towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate governance, viz. integrity, equity, transparency, fairness, disclosures, accountability and commitment to values.

2. BOARD OF DIRECTORS:

(a) Composition

The Board has an optimum combination of Executive and Non-Executive Directors, and is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges. The management of the Company is entrusted in the hands of Key Management Personnel, and is headed by the Managing Director, who operates under the supervision and control of the Board.

As on 31st March, 2012 the Board comprises of four directors including two Wholetime Directors. The Board has two Non-Executive Directors. The Non-Executive Directors are having diverse backgrounds with considerable professional proficiency, with expertise and experience in technical, general corporate management, finance, banking, legal and other allied fields which enables them to contribute effectively to the Company in their capacity as member of the Board.

The Independent and Non-Executive Directors do not have any material pecuniary relationship with the Company. The Senior Management have made disclosures to the Board confirming that there are no material, financial and/or commercial transactions between them and the Company, which could have potential conflict of interest with the Company at large.

The names and categories of Directors, the number of Directorship and Committee position(s) held by them in the companies, meetings attended by them and other relevant particulars are given below:

Name	Category	No. of Board Meetings attended	Attendance at the last AGM held on 28.07.10	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies
Shri M.R. Momaya	Wholetime Director	06	Yes	N.A.	–
Smt. Shilpa P. Shah	Wholetime Director	04	No	02	–
Shri Y.C. Papaiya	Non-Executive, Independent	05	Yes	N.A.	–
Shri Harish Bharucha	Non-Executive, Independent	04	N.A.	01	–

No director is related to any other Director on the Board in terms of the provisions of the Companies Act, 1956.

(b) Directors' membership in Board/Committees of other Companies.

In terms of the listing agreement, none of the Directors on the Company's Board is a member of more than ten committees and Chairman of more than five committees (Committees being, Audit Committee and Investors' Grievance Committee) across all the companies in which they are Director. All the Director have made necessary disclosures regarding Committee positions held by them in other companies and do not hold the office of Director in more than fifteen public companies.

(c) Board Meetings

During the financial year 2011-12 the Board of Directors met six times on the following dates:-

4th May, 2011, 6th July, 2011, 3rd August, 2011, 2nd November, 2011, 31st January, 2012 and 14th February, 2012. The gap between any two Board Meetings did not exceed four months.

(d) Board Meeting Procedures

The agenda papers containing all the information relevant for discussions at the meeting are sent to the directors in advance so that each director have enough time for a meaningful discussion at the Board Meetings. Besides the business items, the agenda includes the items required to be considered by the Board of Directors as per the Listing Agreement. The required information as enumerated in Annexure I A to Clause 49 of the Listing Agreement are regularly made available to Board of Directors for discussion and consideration at Board Meetings.

3. BOARD COMMITTEES:

(a) Audit Committee

Constitution:

The Audit Committee comprises of the following Directors.

- Shri Y. C. Papaiya Chairman Non-Executive Independent
- Shri Harish Bharucha Member Non-Executive Independent
- Shri M. R. Momaya Member Wholetime Director

Terms of reference

The role and terms of reference of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Meetings and attendance

The Audit Committee meetings are Chaired by Shri Y. C. Papaiya who has a vast experience in the area of finance. He is a chartered accountant. None of the members received directly or indirectly, any consulting, advisory or compensatory fees from the Company other than the sitting fee as a Director.

During the financial year 2011-12, the Committee met five times on the following dates:-

on 04.05.2011, 06.07.2011, 03.08.2011, 02.11.2011 and 14.02.2012. The gap between two Audit Committee meetings did not exceed four months. The Committee, in its meeting held on 6th July, 2011 reviewed the Annual Accounts for the year ended 31st March, 2011.

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 24th August, 2011 and he ensured that necessary clarifications and explanations were provided to the members of the Company on issues regarding accounts and finance.

The members of the Audit Committee and attendance of each member of the Audit Committee at the meetings held during the year are as under.

Sr. No.	Name	Category	No. of Meeting Attended
1	Shri Y. C. Papaiya	Non-Executive, Independent	04
2	Shri Harish Bharucha	Non-Executive, Independent	04
3	Shri M. R. Momaya	Wholetime Director	05

(b) Share Transfer and Investors' Grievance Committee

The Shareholders' Grievance Committee was constituted to specifically look into the redressal of Investors' complaints relating to the transfer of shares, non-receipt of Annual Reports etc. As on 31st March, 2012, the Transfer and Shareholders'/Investors' Grievance Committee comprised of Shri Y. C. Papaiya, Shri Harish Bharucha. The Secretary has been designated as the compliance officer.

During the Financial Year 2011-12, 24 meetings were held to approve the transfer of shares. 54 complaints were received during the year under review. All the complaints have been solved to the satisfaction of the shareholders. There were no pending transfers as on 31st March, 2012.

Other Committees of Board (Non-Mandatory)

In addition to the above-referred Committees, which are mandatory under the Corporate Governance Code, the board of Directors has constituted Remuneration Committee and Management Committee of Directors.

(c) Remuneration Committee

The Remuneration Committee comprises Non-executive Independent Directors. The Remuneration Committee recommends and reviews the remuneration packages of the Managerial Personnel and formulation of broad policy framework for managerial remuneration. During the year 2011-12 no meeting was held as there was no proposal for review on managerial remuneration.

The Company has paid sitting fees to Non-Executive directors for attending meetings of the Board, Audit Committee and Share Transfer Committee meetings. The aggregate amount of sitting fees paid during the financial year 2011-12 was ₹ 57,000/-.

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

Details of remuneration paid/payable to Directors for the year ended 31st March, 2012

Name of Director	Salary & Perquisites	Sitting fees	Commission
Shri M. R. Momaya	₹ 6,00,000	Nil	Nil
Smt. Shilpa P. Shah	₹ 4,20,000	Nil	Nil
Total	₹ 10,20,000		

(d) Other Committees of Directors

Management Committee of the Board

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 comprises Shri Y. C. Papaiya, Chairman and Shri Harish Bharucha as Member. During the year 2011-12 the Committee met on 10.10.2011 to discuss the matters coming within the Committee's purview.

4. GENERAL BODY MEETINGS

- (a) The date time and location of the Annual General Meeting held during the preceding 3 years and the Special Resolution(s) passed thereat are as under:

Year	Location	Date	Time	No. of Special Resolutions passed at AGM
2008-09	Garden Mills Complex, Sahara Gate, Surat.	11th August, 2009	10.30 a.m.	None
2009-10	Garden Mills Complex, Sahara Gate, Surat.	28th July, 2010	10.30 a.m.	One
2010-11	Garden Mills Complex, Sahara Gate, Surat.	24th August, 2011	30.30 a.m.	None

(b) Postal Ballot

In terms of the provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolutions by Postal Ballot) Rules, 2001, during the year, a Special Resolution for alteration in the Articles of Association of the company pursuant to the provisions of Section 31 of the Companies Act, 1956 and an Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 for authority to the Board of Directors to sell, lease, mortgage, transfer and/or other dispose off the whole or any part of the Company's undertaking were proposed through postal ballot process.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Both the aforesaid Resolutions were approved by the shareholders with requisite majority on 15th March, 2012. The results of postal ballot voting are as follows:

(1) Special Resolution	
Votes in favour of the Resolution	173519928
% of Votes	99.98%
Votes against the Resolution	32897
% of Votes	0.02%
(2) Ordinary Resolution	
Votes in favour of the Resolution	173503234
% of Votes	99.97%
Votes against the Resolution and Invalid	58061
% of Votes	0.03%

5. COMPANY POLICIES:

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics ("the Code") which is applicable to the Board of Directors and Senior Management Team (one level below the Board of Directors) of the Company. The Board of Directors and the members of Senior Management Team are required to affirm annual compliance of this Code. The Code has been posted on Company's website: www.surattextilemillsLtd.com.

Preventing Conflict of Interests

Members of Board and Senior Management Team while discharging their duties, avoid their conflict of interest in the decision making process. The members of Board refrain themselves from any discussions and voting in transactions where they have concern or interest.

Insider Trading Code

The Company has adopted a 'Code of Conduct for Prevention of Insider Trading ("the Code") in accordance with the requirements of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with effect from 1st October, 2002.

The Securities and Exchange Board of India (SEBI) has over the years introduced various amendments to the insider Trading Regulations of 1992 which ordain new action steps by corporate and other market intermediaries for the purposes of prevention of Insider Trading. This Code is amended from time to time reflecting the changes brought in by SEBI in the Insider Trading Regulations. The said Code is applicable to all Directors and such Designated Employees who are reasonably expected to have access to unpublished price sensitive information relating to the Company.

6. AFFIRMATIONS AND DISCLOSURES:

Compliances with Governance Framework

The Company is in compliance with all mandatory requirements of Clause 49 of the Listing Agreement. In addition, the Company has also adopted the non-mandatory requirements of constitution of the Remuneration Committee.

Related Party Transactions

There are no materially significant related party transactions made by the Company with its Promoters, Directors, Senior Management, their subsidiaries or relative etc; which may have potential conflict with the interests of the Company at large.

Transactions with related parties as per requirements of Accounting Standard (AS)18 – 'Related Party Disclosures' are disclosed in the Financial Statements in the Annual Report.

Disclosure of Accounting Treatment

In the preparation of the financial statements, the Company has followed the Accounting Standards referred to in Section 211(3)(C) of the Companies Act, 1956. The significant accounting policies which are consistently applied are set out in the Annexure – 1 to Notes to the Financial Statements.

Details of Non-Compliance

The Company has complied with all requirements of Listing Agreement entered into with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last three years.

Secretarial Audit

A Company Secretary-in-Practice carried out a Secretarial Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialised form (held with NSDL and CDSL).

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.

7. MEANS OF COMMUNICATION:

(a) The Quarterly (Unaudited) Financial Results are sent to Stock Exchanges where the Company's shares are listed and are normally published in Indian Express (English), Baroda Edition, Dhabkar (Vernacular), Surat Edition.

(b) Management Discussion and Analysis report forms part of the Directors Report.

8. EDIFAR/CFDS FILING:

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

9. GENERAL SHAREHOLDER INFORMATION:

(a) 66th Annual General Meeting:

Date	: Monday, 30th July, 2012.
Time	: 10:30 a.m.
Venue	: Registered Office of the Company at Garden Mills Complex, Sahara Gate, Surat - 395 010.

(b) Financial Calendar (2012-13):

Results for the quarter ending July/August, 2012	: 30th June, 2012.
Results for the quarter ending 30th September, 2012	: October/November, 2012
Results for the quarter ending 31st December, 2012	: January/February, 2013
Results for the year ending 31st March, 2013	: April/May, 2013

(c) Book closure dates:

: Saturday, 21st July, 2012 to
Monday, 30th July, 2012.
(Both days inclusive)

(d) Listing on Stock Exchanges

	: Stock Code
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 - 400 001	: 30185 (Physical Segment) : 530185 (Demat Segment)
3. Demat ISIN for NSDL and CDSL.	: INE 936A01025

(e) **Annual Listing Fees:** The Company has paid the Annual Listing fees to the above stock exchanges for the financial year 2012-13.

(f) Market Price Data:

The High/Low market price of the shares during the year 2011-12 at the Bombay Stock Exchange (BSE) are as under.

Month	High (₹)	Low (₹)
April, 2011	3.30	2.57
May, 2011	3.19	2.10
June, 2011	2.41	1.55
July, 2011	2.34	1.90
August, 2011	2.06	1.61
September, 2011	1.89	1.53
October, 2011	1.95	1.41
November, 2011	1.94	1.14
December, 2011	1.86	1.03
January, 2012	1.43	1.16
February, 2012	2.39	1.26
March, 2012	2.07	1.43

(g) Registrar and Share Transfer Agents:

Karvy Computershare Private Limited	Tel: 040-44655000
Unit: Surat Textile Mills Limited	Fax: 040-23420814
Plot No.17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081	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.

REPORT ON CORPORATE GOVERNANCE (Contd.)**(i) Distribution of shareholding as on 31st March, 2012:**

Sr. No.	Category of Members	No. of Shares held	% of total Shares
1.	Promoters	179548309	80.85
2.	Indian Public	22554431	10.16
3.	Banks, Financial Institutions & Insurance Companies	17457307	7.87
4.	NRI's / Overseas Body Corporates	75894	0.03
5.	Bodies Corporate	2421542	1.09
6.	Trusts	300	0.00
7.	Others (NSDL+CDSL) Clearing Members	6657	0.00
	TOTAL	222064440	100.00

(j) Categorywise Summary of Holders / Holdings as on 31st March, 2012:

No. of Equity Shares	No. of Shareholders	% of total Shareholders	No. of Shares held	% of total Shares
1 – 5000	34594	88.14	4734252	2.13
5001 – 10000	1947	4.96	1795260	0.81
10001 – 20000	1027	2.62	1750669	0.79
20001 – 30000	456	1.16	1213232	0.55
30001 – 40000	185	0.47	686759	0.31
40001 – 50000	292	0.74	1422029	0.64
50001 – 100000	406	1.03	3189925	1.44
100001 & above	342	0.88	207272314	93.33
Total	39249	100.00	222064440	100.00

(k) Depository Services:

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

(l) Dematerialisation of Shares:

219197512 Equity Shares aggregating to 98.71% of the total Equity Capital is held in dematerialised form as on 31.03.2012 of which 95.39% (211827993 Equity Shares) of total equity capital is held with NSDL and 3.32% (7369519 Equity Shares) of total equity capital is held with CDSL as on 31.03.2012.

(m) Nomination:

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

(n) Address for Correspondence:

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

- | | | |
|-------|----------------------------------|--|
| (i) | For Shares held in Physical Form | Karvy Computershare Private Limited
Unit: Surat Textile Mills Limited
Plot No.17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Tel.No.: 040-44655000
Fax No.: 040-23420814
E-mail: einward.ris@karvy.com
http://www.karvy.com |
| (ii) | For Shares held in Demat Form | Respective Depository Participants of the shareholders. |
| (iii) | For query on Annual Report | Secretarial Department,
Garden Mills Complex,
Sahara Gate,
Surat - 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 31st December, 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 Practising 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.

(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 authorise the Company to discontinue mailing of multiple Annual Reports.

REPORT ON CORPORATE GOVERNANCE (Contd.)

B. NON MANDATORY REQUIREMENTS

(a) Audit Qualifications

There are no Audit qualifications in the Company's financial statement for the year under reference.

(b) Maintenance of Non-Executive Chairman's Office

The Chairman is also the Managing Director of the Company. Hence, no requirement of separate office. There is no fixed tenure for Independent Directors.

(c) Training of Board Members

New Board Member is given formal induction and orientation with respect to Company's vision, strategic direction, corporate governance practices, financial matters and business operation. The Board Members are also provided with the necessary documents, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

(d) Mechanism for evaluating Non-Executive Board Members

Presently, the Company has not adopted any mechanism for evaluating the performance of Non-Executive Board Members.

(e) Whistle Blower Policy:

Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company has been denied access to the Audit Committee.

10. COMPLIANCE CERTIFICATE OF THE AUDITORS:

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to this Report.

The Certificate from the Statutory Auditors will be sent to the Listed Stock Exchanges along with the Annual Report of the Company.

DECLARATIONS

Compliance with the Code of Business Conduct and Ethics

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 Business Conduct and Ethics for the Financial Year ended 31st March, 2012.

Place: Surat
Date: 30th May, 2011

For Surat Textile Mills Limited
Sanjay S. Shah
Managing Director

CEO /CFO CERTIFICATION

As required by sub-clause V of Clause 49 of the Listing Agreement with the Stock Exchanges, we have certified to the Board that for the Financial Year ended 31st March, 2012, the Company has complied with the requirements of the said sub-clause.

Place: Surat
Date: 30th May, 2011

For Surat Textile Mills Limited
Sanjay S. Shah
Managing Director

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, 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. 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 based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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

For NATVARLAL VEPARI & CO.
Chartered Accountants
Firm Registration No.: 123626W

R. N. VEPARI
Partner

Surat, 30th May, 2012

Membership No. 6728

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, 2012 the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with 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 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, Statement of Profit and Loss 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 ₹ 1020.98 Lacs (previous year ₹ 743.23 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.* Subject to this, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) *On the basis of written representations received from the Directors as at 31st March, 2012 and taken on record by the Board of Directors, Mr. M. R. Momaya and Mr. Y. C. Papiya who are the directors of the Company as on 31st March, 2012 are disqualified from being appointed as a director in terms of Clause (g) of sub-section (1) of 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 accounts read together with the Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For NATVARLAL VEPARI & CO.
Chartered Accountants
(Registration No. 123626W)

R. N. VEPARI
Partner
Membership No. 6728

Surat: 30th May, 2012

ANNEXURE TO 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, 2012.

1. (a) In respect of fixed assets, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information in most cases of such assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year and going concern status of the Company is not affected.
2. (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of 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 has maintained proper records of inventories. There were no material discrepancies noticed on physical verification of inventories as compared to book records.
3. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The other Clauses (iii)(b) to (iii)(d) of the Order, 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 Order.
- (b) According to the information and explanations given to us, the Company has taken secured loan from a party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year was ₹ 2900.00 lacs and the year-end balance is ₹ Nil.
- (c) Based on the information and explanations given to us, in our opinion the rate of interest and other terms and conditions of the loan taken by the Company, are not prima facie prejudicial to the interest of the Company.
- (d) The repayment of the secured loan is scheduled as per the agreement entered with the party and the same was found as per schedule.
4. 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 purchases of inventory and 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.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under this section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
9. (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, Customs Duty, Excise Duty 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, 2012 for a period of more than six months from the date of becoming payable.
10. In our opinion, after considering effect of qualifications as given in Para 4(d) of Audit Report,
 - (a) the Company does not have any accumulated losses as at 31st March, 2012;
 - (b) the Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. 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 or debenture holders as at the balance sheet date during the year. The Company did not have any outstanding loans from financial institution during the year.
12. 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.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. 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.
16. The Company did not have any term loans outstanding during the year.
17. 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.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally 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 any such case by the Management.

For NATVARLAL VEPARI & CO.
Chartered Accountants
(Registration No. 123626W)

R. N. VEPARI
Partner
Membership No. 6728

Surat: 30th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in Lacs)

	Note No.	As at 31st March, 2012	As at 31st March, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	2,220.64	2,220.64
Reserves and Surplus	2	4,715.36	2,737.33
		<u>6,936.00</u>	<u>4,957.97</u>
Non-Current Liabilities			
Long-Term Borrowings	3	75.90	0.00
Other Long-Term Liabilities	4	173.70	142.03
Long-Term Provisions	5	111.31	108.30
		<u>360.91</u>	<u>250.33</u>
Current Liabilities			
Short-Term Borrowings	6	0.00	2,900.00
Trade Payables	7	559.33	466.08
Other Current Liabilities	8	673.30	986.20
Short-Term Provisions	9	1,014.45	519.30
		<u>2,247.08</u>	<u>4,871.58</u>
TOTAL		<u>9,543.99</u>	<u>10,079.88</u>
ASSETS			
Non-Current Assets			
Fixed assets	10		
Tangible Assets		2,088.41	2,055.83
Capital Work-in-Progress		6.55	141.75
		<u>2,094.96</u>	<u>2,197.58</u>
Non-Current Investments	11	1,465.21	1,465.21
Deferred tax assets (net)	12	599.39	839.85
Long-Term Loans and Advances	13	139.38	98.69
		<u>4,298.94</u>	<u>4,601.33</u>
Current Assets			
Inventories	14	4,223.46	4,552.30
Trade Receivables	15	146.76	458.25
Cash and Bank Balances	16	211.63	103.69
Short-Term Loans and Advances	17	547.04	364.31
Other Current Assets	18	116.16	0.00
		<u>5,245.05</u>	<u>5,478.55</u>
TOTAL		<u>9,543.99</u>	<u>10,079.88</u>

Significant Accounting policies
Notes on Financial Statements

1 to 32

As per our attached report of even date
For NATVARLAL VEPARI & CO.
Firm Registration No. 123626W
Chartered Accountants

R. N. VEPARI
Partner
Membership No. 6728

For and on behalf of the Board of Directors
SANJAY S. SHAH
Managing Director

Y. C. PAPAIIYA
Director

C. S. PUNJABI
Secretary

Surat, 30th May, 2012

Surat, 30th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

	Note No.	2011-12	2010-11
INCOME:			
Revenue from Operations	19	18,841.79	27,162.09
Other Income	20	2,896.21	115.67
Total Revenue		21,738.00	27,277.76
EXPENDITURE:			
Cost of Materials Consumed	21	14,098.10	13,300.00
Purchases of Stock-in-Trade	22	285.00	10,528.18
Changes in Inventories of Finished Goods, Stock-in-Process and Stock-in-Trade	23	330.24	(2,225.20)
Employee Benefits Expense	24	529.12	526.30
Finance Costs	25	285.36	385.35
Depreciation and Amortisation Expense		154.54	167.88
Other Expenses	26	3,304.62	3,509.40
Total Expenses		18,986.98	26,191.91
Profit Before Tax		2,751.02	1,085.85
Tax Expenses			
Current Tax		532.53	214.28
Deferred Tax		240.46	110.83
Tax in respect of earlier years		0.00	(76.91)
Profit for the year		1,978.03	837.65
Earnings per equity share of ₹ 1 each			
Basic and Diluted (in ₹)	27	0.89	0.38

Significant Accounting policies
Notes on Financial Statements

1 to 32

As per our attached report of even date
For NATVARLAL VEPARI & CO.
Firm Registration No. 123626W
Chartered Accountants

R. N. VEPARI
Partner
Membership No. 6728

Surat, 30th May, 2012

For and on behalf of the Board of Directors
SANJAY S. SHAH
Managing Director

Y. C. PAPAIIYA
Director

C. S. PUNJABI
Secretary

Surat, 30th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	(₹ in lacs)	
	Year Ended 31st March, 2012	Year Ended 31st March, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax as per Statement of Profit and Loss	2,751.02	1,085.85
Add/(Deduct):		
Depreciation and Amortisation Expense	154.54	167.88
Finance Costs	285.36	385.35
Interest Income	(29.60)	(26.31)
Net gain on sale of current investments	0.00	(10.97)
Debit balances written off	0.02	1.06
Credit balances written off	0.00	(3.52)
Dividend Income	(14.47)	(10.71)
Net surplus on disposal of fixed assets	(2,809.80)	0.00
	<u>(2,413.95)</u>	<u>502.78</u>
Operating Profit before Working Capital Changes.	337.07	1,588.63
Add/(Deduct):		
Decrease in Trade and Other Receivables	99.67	990.98
(Increase)/decrease in Inventories	328.84	(2,255.77)
(Decrease)/Increase in Trade and Other Payable	(262.76)	(1,498.71)
	<u>165.75</u>	<u>(2,763.50)</u>
Cash Generated from Operations	502.82	(1,174.87)
Add:		
Direct Taxes (Paid)/Refund.	17.18	(0.76)
Net Cash Flow from Operating Activities	<u>520.00</u>	<u>(1,175.63)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(397.14)	(0.96)
Sale of Fixed Assets	3,028.65	0.00
Purchase of Investments	0.00	(203.17)
Sale of Investments	0.00	608.97
Dividend Income	14.47	10.71
Loan to other Companies/Firms	0.00	0.24
Net Cash Inflow from Investing Activities	<u>2,645.98</u>	<u>415.79</u>
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Long-Term Borrowings	102.00	0.00
Repayment of Long-Term Borrowings	(2,908.85)	0.00
Interest Paid	(251.19)	(363.03)
Net Cash Outflow from Financing Activities	<u>(3,058.04)</u>	<u>(363.03)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	107.94	(1,122.87)
Opening Balance of Cash and Cash Equivalents	103.69	1,226.56
Closing Balance of Cash and Cash Equivalents	211.63	103.69

As per our attached report of even date

For NATVARLAL VEPARI & CO.

Firm Registration No. 123626W

Chartered Accountants

R. N. VEPARI

Partner

Membership No. 6728

For and on behalf of the Board of Directors

SANJAY S. SHAH

Managing Director

Y. C. PAPAIIYA

Director

C. S. PUNJABI

Secretary

Surat, 30th May, 2012

Surat, 30th May, 2012

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(Annexed to and forming part of the financial statements for the year ended 31st March, 2012)

(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 recognises Income and Expenditure on accrual basis. Accounting policies not referred to otherwise are consistent with the generally accepted accounting principles.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/materialised.

(c) 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 Project under commissioning and other Capital Work-in-Progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

(d) Method of Depreciation and Amortisation

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

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

(e) Investments

Investments are classified into Current and Long-term Investments. Current investments are stated at lower of cost and fair value. Long-term investments are stated at cost. Provision for diminution in the value of Long-term investments is made only if such a decline is other than temporary.

(f) Impairment of Assets

The carrying amount of assets are reviewed at each balance sheet date in respect of Cash Generating Unit if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's selling price and value in use.

(g) Valuation of Inventories

Inventories are valued in accordance with the requirements of revised Accounting Standard (AS) 2 on "valuation of inventories" issued by The Institute of Chartered Accountants of India. Mode of working of cost is weighted average, while any item of inventory is valued at Net Realisable Value if the same is less than cost. Inventories are specifically identified, wherever possible in respect of traded goods.

Inventory valuation is determined on the following basis :

- (i) Raw Materials, Stock in Process, Finished goods, Stock-in-Trade and Stores Spares & Chemicals are valued at cost or Net realisable value whichever is lower.
- (ii) Waste is valued at net realisable value.
- (iii) By product is valued at net realisable value.
- (iv) Property under Development is valued at revalued cost of land and construction thereon at cost.
- (v) Land at Vareli is valued at book cost

(h) Revenue Recognition

Revenue from operations includes sale value of goods, net of sales returns, discounts, rate difference and Sales Tax/Value Added Tax (VAT). Sales also include, sales of scrap, waste, reject etc. and profits from property held as stock in trade.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Contd.)

(Annexed to and forming part of the financial statements for the year ended 31st March, 2012)

(i) Accounting for Excise Duty/Service Tax and Sales Tax/Value Added Tax

- (i) Excise Duty/Service tax has been accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses and the same has been treated as part of the cost of respective stock as per the revised Guidance Note on Accounting treatment for Excise Duty. However, this has no effect on the Profit for the year. Amount of Excise Duty shown as deduction from Sales is the total Excise Duty for the year except the duty related to difference between Closing Stock and Opening Stock. Excise duty related to the difference between Closing Stock & Opening Stock is recognised separately in the Profit and Loss Account.
- (ii) The CENVAT benefits attributable to acquisition of fixed assets is netted off against the cost of fixed assets in accordance with the guidance note issued by the Institute of Chartered Accountants of India.

(j) Cenvat

- (i) The purchase cost of raw materials and other expenses have 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.

(k) Expenses

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

(l) Employee Benefits**(i) Short Term Employee Benefits**

All employee benefits falling due within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, bonus, leave salary ex-gratia are recognised in the period in which employee renders the related services.

(ii) For Defined Contribution Plans (PF, FPF and ESI)

Contributions to Defined Contribution Plans are recognized as expenses in the Profit and Loss Account as they are incurred.

(iii) For Defined Benefit Plans

As per requirement defined in Accounting Standard 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India, the entity has relied on the Actuarial valuation undertaken by the certified actuary for the present value of obligation and the same is unfunded.

(m) Borrowing Cost

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

(n) Provision for Current and Deferred Tax

Provision for current tax is made on the basis of the assessable income at the tax rate which is applicable to the relevant assessment year as per the Income Tax Act, 1961. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted as on 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 their 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 their realisation. Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to re-assessment.

(o) Foreign Currency Transactions

- (i) Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the dates when the relevant transactions take place.
- (ii) At each Balance Sheet date, unrealised gains or losses on foreign currency transactions on account of increase or decrease in rupee liability/asset as a result of exchange difference between the Balance sheet date rate and the transaction Date rate to items of assets and liabilities are recognised in the Statement of Profit and Loss and accordingly, related assets or liabilities are adjusted.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	(₹ in Lacs)	
	As at 31st March, 2012	As at 31st March, 2011
Note 1 : Share Capital		
Authorised Share Capital		
75,00,00,000 (7,50,000,000)		
Equity Shares of ₹ 1/- each	<u>7,500.00</u>	<u>7,500.00</u>
Issued, Subscribed and Paid-up		
222064440 (222064440)		
Equity Shares of ₹ 1/- each fully paid-up	<u>2,220.64</u>	<u>2,220.64</u>
TOTAL	<u>2,220.64</u>	<u>2,220.64</u>

1.1 Reconciliation of Shares Outstanding

	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	₹ in Lacs	No. of Shares	₹ in Lacs
Balance at the beginning of the year	22,20,64,440	2,220.64	22,20,64,440	2,220.64
Issued during the year	0	0.00	0	0.00
Balance at the end of the year	<u>22,20,64,440</u>	<u>2,220.64</u>	<u>22,20,64,440</u>	<u>2,220.64</u>

1.2 The details of Shareholders holding more than 5% shares :

Name of the Shareholder	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	% held	No. of Shares	% held
Shri Praful A. Shah (Individual)	25,117,205	11.31%	25,117,205	11.31%
Vareli Trading Company Ltd.	77,500,000	34.90%	77,500,000	34.90%
IDBI Bank Ltd.	15,456,807	6.96%	15,456,807	6.96%
Garden Silk Mills Ltd.	14,500,000	6.53%	14,500,000	6.53%

Note 2 : Reserves and Surplus

	(₹ in Lacs)	
	As at 31st March, 2012	As at 31st March, 2011
Surplus in Statement of Profit and Loss		
Balance as per last Balance Sheet	2,737.33	949.00
Add: Balance of Deferred Tax Assets of earlier year	0.00	950.68
Add: Profit for the Year	1,978.03	837.65
TOTAL	<u>4,715.36</u>	<u>2,737.33</u>

Note 3 : Long Term Borrowings**Secured**

	(₹ in Lacs)	
	As at 31st March, 2012	As at 31st March, 2011
Long-Term Maturities of Term Loan from a Bank	75.90	0.00
TOTAL	<u>75.90</u>	<u>0.00</u>

Nature of Security and terms of repayment for Long-Term secured borrowings:

- 3.1 Term loan from a bank amounting to ₹ 93.15 Lacs (₹ 75.90 lacs due after one year; ₹ 17.25 lacs due within one year) represents loan from HDFC Bank Ltd. under Vehicle Finance Scheme is secured by an exclusive charge by way of hypothecation of specific vehicle purchased under the arrangement. The loan is repayable in 60 monthly installments commencing from 13.10.2011. Last installment is due on 07.09.2016. Rate of interest is 10% per annum.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 4 : Other Long-Term Liabilities		
Trade Deposits	173.70	142.03
TOTAL	173.70	142.03

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 5 : Long-Term Provisions		
Provision for employee benefits	111.31	108.30
TOTAL	111.31	108.30

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 6 : Short-Term Borrowings		
Secured		
Soft loan from promoters	0.00	2,900.00
TOTAL	0.00	2,900.00

6.1 Loan of ₹ 2900.00 Lacs from promoters was secured by way of first charge on all the movable plants and machinery and by way of first mortgage 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.

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 7 : Trade Payables		
Acceptances:		
Under usance Letter of Credit	249.96	0.00
Sundry creditors:		
Micro, Small and Medium Enterprises	1.84	1.21
Others	307.53	464.87
TOTAL	559.33	466.08

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 8 : Other current liabilities		
Current maturities of long-term debt	17.25	0.00
Interest accrued but not due on borrowings	5.97	0.00
Creditors for Capital Expenditure	8.89	0.00
Advance Received (Refer 8.1)	251.70	98.27
Other Payables	389.49	887.93
TOTAL	673.30	986.20

8.1 Includes advance received against sale of fixed assets: ₹ 165.65 lacs (Previous Year ₹ Nil)

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
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Note 9 : Short-Term Provisions

Provision for employee benefits.	14.30	27.86
Provision for taxation	874.16	324.44
Other Provisions (Refer 9.1)	125.99	167.00
TOTAL	1,014.45	519.30

9.1 The Company had recognised liability based on substantial degree of estimation for excise duty payable on clearance of goods lying in stock as on 31st March, 2011 of ₹ 167.00 lacs as per the estimated pattern of despatches. During the year, ₹ 167.00 lacs was utilised for clearance of goods. Provision recognised under this class for the year is ₹ 125.99 lacs, which is outstanding as on 31st March, 2012. Actual outflow is expected in the next financial year.

Note 10 : Fixed Assets

(₹ in Lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/04/2011	Additions during the Year	Adjustment during the Year	Total	As at 01/04/2011	For the Year	Adjustment during the Year	Total	As at 31/03/2012	As at 31/03/2011
1	2	3	4	5	6	7	8	9	10	11
Tangible Assets										
Land	1,246.65	0.00	144.65	1,102.00	199.89	0.00	76.05	123.84	978.16	1,046.76
Building	3,104.87	0.00	788.62	2,316.25	2,536.60	35.63	647.20	1,925.03	391.22	444.04
Plant and Machinery	14,118.30	101.98	0.00	14,220.28	13,697.51	105.29	0.00	13,802.80	417.48	420.79
Furniture and Equipment	18.19	0.00	0.00	18.19	16.85	0.56	0.00	17.41	0.78	1.34
Office Equipment	40.32	161.02	0.00	201.34	30.64	5.94	0.00	36.58	164.76	9.68
Vehicles	13.87	134.14	0.00	148.01	4.88	7.12	0.00	12.00	136.01	8.99
Total	18,542.20	397.14	933.27	18,006.07	16,486.37	154.54	723.25	15,917.66	2,088.41	1,931.60
Previous Year	18,541.24	0.96	0.00	18,542.20	16,318.49	167.88	0.00	16,486.37	2,055.83	
Capital Work-in-Progress									6.55	141.75

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
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Note 11 : Non-Current Investments

(Long-Term Investments)

Quoted, fully paid-up

In Equity Shares of Associate Company

734,778 (734778) Equity Shares of Garden Silk Mills Ltd. of ₹ 10 each	1,446.76	1,446.76
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Other Investments in Equity Shares

16600 (16,600) Equity Shares of Dena Bank Ltd. of ₹ 10 each	4.98	4.98
15900 (15,900) Equity Shares of IDBI Ltd. of ₹ 10 each	13.46	13.46

Investment in Government Securities - Unquoted

National Saving Certificate	0.01	0.01
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TOTAL

	1,465.21	1,465.21
Aggregate amount of quoted investments	1,465.20	1,465.20
Market Value of quoted investments	457.39	744.24
Aggregate Amount of unquoted investments	0.01	0.01

11.1 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. Therefore, the decline in value of investments of the Company in Garden Silk Mills Limited is considered to be temporary.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	(₹ in Lacs)	
	As at 31st March, 2012	As at 31st March, 2011
Note 12 : Deferred tax assets (net)		
(a) Deferred Tax Liability	0.00	0.00
(b) Deferred Tax Asset on account of :		
Difference between book and tax written Down Value of Fixed Assets	109.57	461.61
Disallowances under the Income Tax Act, 1961	32.45	9.05
Unabsorbed depreciation	2,255.55	2,888.75
TOTAL	2,397.57	3,359.41
Deferred Tax - (Liability)/Assets - Net	2,397.57	3,359.41
Deferred Tax asset recognised at 25%	599.39	839.85
Current year (Credit)/Charge	240.46	

12.1 The management is of the view that there is virtual certainty supported by evidence that only 25% of the above amount will result in absorption of unabsorbed depreciation in near-term to long-term. Accordingly, the deferred tax assets have been recognised to that extent.

	(₹ in Lacs)	
	As at 31st March, 2012	As at 31st March, 2011
Note 13 : Long-Term Loans and Advances (Unsecured and Considered Good)		
Capital Advances	10.21	0.00
Security Deposits	120.47	94.04
Loans and advances to employees	8.70	4.65
TOTAL	139.38	98.69

	(₹ in Lacs)	
	As at 31st March, 2012	As at 31st March, 2011
Note 14 : Inventories		
Raw Materials	597.30	832.93
Raw Materials in transit	253.09	0.00
Work-in-progress	48.68	61.90
Finished goods	1,269.71	1,912.73
Stock-in-Trade (Art & Artifacts)	1,561.89	1,276.89
Stores, Spares and Chemicals	149.86	126.51
Property under Development (Includes Land at revalued cost)	254.53	252.94
Stock-in-trade (Land at Vareli)	88.40	88.40
TOTAL	4,223.46	4,552.30

	(₹ in Lacs)	
	As at 31st March, 2012	As at 31st March, 2011
Note 15 : Trade Receivables		
Unsecured		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	18.02	21.77
Considered doubtful	77.21	77.21
	95.23	98.98
Less: Provision for doubtful trade receivables	77.21	77.21
	18.02	21.77
Other receivables		
Considered good	128.74	436.48
TOTAL	146.76	458.25

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 16 : Cash and Cash Equivalents		
Cash on hand	4.44	5.39
Balances with banks		
in current accounts	191.64	27.93
in deposits accounts	2.95	2.95
Balance with a bank to the extent held as margin money	12.60	67.42
TOTAL	211.63	103.69

16.1 Balances with banks in deposit accounts amounting to ₹ 2.95 lacs (Previous Year ₹ 2.95 lacs) have maturities of more than 12 months.

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 17 : Short Term Loans and Advances		
(Unsecured and Considered Good)		
Loans to employees	9.27	7.47
Advance to Suppliers	371.76	0.00
Advance Recoverable in cash or in kind or for value to be received	132.08	294.84
Balance with Customs, Central Excise Authorities etc.	33.93	62.00
TOTAL	547.04	364.31

(₹ in Lacs)

	As at 31st March, 2012	As at 31st March, 2011
Note 18 : Other Current Assets		
Fixed Assets held for sale	116.16	0.00
TOTAL	116.16	0.00

(₹ in Lacs)

	2011-12	2010-11
Note 19 : Revenue from Operations		
Sale of Products	20,761.91	29,917.63
Less: Excise Duty	1,920.12	2,755.54
TOTAL	18,841.79	27,162.09

19.1 Particulars of Sale of Products

M.E.G.	9.99	11,118.93
P.T.A.	19.45	0.00
Spun Yarn	1,112.60	1,640.67
Polyester filament Yarn	7,268.90	7,294.28
Polyester Chips	12,258.82	9,746.87
Others	92.15	116.88
TOTAL	20,761.91	29,917.63

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	(₹ in Lacs)	
	2011-12	2010-11
Note 20 : Other Income		
Interest		
From banks on deposits	8.21	5.58
On loans and advances	1.26	1.11
Other interest	20.13	19.62
Dividend		
From Long-Term Investments	14.47	10.71
Other non-operating income		
Rental income	42.34	64.05
Credit balances written back	0.00	3.52
Miscellaneous income	0.00	0.11
Net gain on sale of current investments	0.00	10.97
Net surplus on disposal of fixed assets	2,809.80	0.00
TOTAL	2,896.21	115.67

	(₹ in Lacs)	
	2011-12	2010-11
Note 21 : Cost of Materials Consumed		
Raw Materials		
Imported	0% 0.00	0% 0.00
Indigenous	100% 14,098.10	100% 13,300.00
	100% 14,098.10	100% 13,300.00

21.1 Particulars of materials consumed

M.E.G.	3,225.98	2,582.60
P.T.A.	8,009.69	6,857.03
Polyester Chips	2,136.15	2,826.34
Spun Yarn	726.28	1,026.57
Others - Fibers	0.00	7.46
TOTAL	14,098.10	13,300.00

	(₹ in Lacs)	
	2011-12	2010-11
Note 22 : Purchases of Stock-in-trade		
M.E.G.	0.00	9,251.29
Art and Artifacts	285.00	1,276.89
TOTAL	285.00	10,528.18

	(₹ in Lacs)	
	2011-12	2010-11
Note 23 : Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade		
Opening Stock		
Stock-in-Process	61.90	46.51
Finished Goods and Stock-in-trade	3,189.63	890.72
	3,251.53	937.23
Closing Stock		
Stock-in-Process	48.68	61.90
Finished Goods and Stock-in-trade	2,831.60	3,189.63
	2,880.28	3,251.53
Add/(Less): Variation in excise duty on opening and closing stock of finished goods	(41.01)	89.10
TOTAL	330.24	(2,225.20)

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	(₹ in Lacs)	
	2011-12	2010-11
Note 24 : Employee Benefits Expense		
Salaries and Wages	458.61	426.45
Contribution to Provident and Other Funds	42.61	38.60
Gratuity	14.69	51.22
Staff Welfare Expenses	13.21	10.03
TOTAL	529.12	526.30

24.1 The present value of obligation is determined based on actuarial valuation and remains unfunded.

As per Accounting Standard 15 "Employee benefits" issued by the Institute of Chartered Accountants of India (ICAI), the disclosures as defined in the Accounting Standards are given below:

	As at 31st March, 2012	As at 31st March, 2011	As at 31st March, 2012	As at 31st March, 2011
	Gratuity (Unfunded)	Gratuity (Unfunded)	Leave encashment (Unfunded)	Leave encashment (Unfunded)
Amount recognised in Balance Sheet				
(i) Present Value of Defined Benefit Obligation				
- Wholly Unfunded	107.20	99.20	18.41	36.96
(ii) Amount Reflected in the Balance Sheet				
- Liability	107.20	99.20	18.41	36.96
- Assets	0.00	0.00	0.00	0.00
Net Liability	107.20	99.20	18.41	36.96
Net expense recognized in the Statement of Profit and Loss				
Total, included in "Payments to and provision for Employees" (Refer Note 25)	14.69	51.22	15.41	37.20
Actuarial Assumptions				
Discount Rate (Per Annum)	8.50%	8.25%	8.50%	8.25%
Rate of Escalation in Salary (Per Annum)	8%	8%	8%	8%
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)

	(₹ in Lacs)	
	2011-12	2010-11
Note 25 : Finance Costs		
Interest Expenses	266.90	370.02
Other borrowing costs	18.46	15.33
TOTAL	285.36	385.35

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

	(₹ in Lacs)	
	2011-12	2010-11
Note 26 : Other Expenses		
Manufacturing expenses		
Consumption of Stores, Spares and Chemicals	796.73	797.21
Packing Charges	107.86	140.85
Power and Fuel	1,867.19	2,074.13
Repairs to Plant and Machinery	35.25	38.62
Repairs to Buildings	2.55	8.60
Lease Rent	90.00	90.00
Others	1.36	0.23
Selling and Distribution Expenses		
Commission and Discount	27.43	38.67
Other Selling and Distribution Expenses	59.29	52.71
Establishment Expenses		
Insurance	16.31	18.95
Rent	105.45	94.67
Rates and Taxes	9.79	27.09
Auditors' Remuneration	4.16	3.99
General Charges	181.23	122.62
Debit balances written off	0.02	1.06
TOTAL	3,304.62	3,509.40

26.1 Value of Stores, Chemicals and Component Consumed

	2011-12		2010-11	
	%	₹ in Lacs	%	₹ in Lacs
Imported	99.37	791.72	80.67	643.09
Indigenous	0.63	5.01	19.33	154.12
	100.00	796.73	100.00	797.21

	(₹ in Lacs)	
	2011-12	2010-11
26.2 Value of Imports on CIF Basis in respect of		
Raw Materials	0.00	0.08
Stores, Spare parts, Components and Chemicals	3.47	59.27
Capital goods	96.48	0.00
26.3 Payment to Auditors		
Statutory Audit Fees	3.27	3.15
Tax Audit Fees	0.57	0.50
Cost Audit Fees	0.32	0.34
TOTAL	4.16	3.99

Note 27 : Earnings Per Share (EPS)

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under:

	2011-12	2010-11
Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lacs)	1,978.03	837.65
Weighted average number of equity shares outstanding during the year	222,064,440	222,064,440
Basic and Diluted Earning per share (₹)	0.89	0.38
Face Value per equity share (₹)	1.00	1.00

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

2011-12

2010-11

Note 28 : Earnings in Foreign Exchange

FOB Value of Export

0.00

117.83

Note 29 : Related Party Disclosures

As per Accounting Standard 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India (ICAI), the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

(i) List of related parties with whom transactions have taken place and relationships:

Sr. No.	Name of Related Party	Relationship
1	Garden Silk Mills Ltd.	Associate Company
2	(1) Shri M. R. Momaya (2) Smt. Shilpa P. Shah	Key Management Personnel
3	Shri Alok P. Shah	Relatives of key Management Personnel where transactions have taken place.
4	Shri Rajen P. Shah	
5	Inita Power Company Ltd.	
6	Pashah Textiles Ltd.	
7	Amichand Textiles Ltd.	

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

(ii) Details of transactions with related parties during the year/previous year:

(₹ in Lacs)

Nature of Transactions	Associate Company	Key Management Personnel	Others	Total
Sales	9,458.41 (22,403.46)	0.00 (0.00)	0.00 (0.00)	9,458.41 (22,403.46)
Sale of Fixed Assets	2,977.70 (0.00)	0.00 (0.00)	0.00 (0.00)	2,977.70 (0.00)
Purchases	3,455.68 (6,217.72)	0.00 (0.00)	0.00 (0.00)	3,455.68 (6,217.72)
Purchase of Art and Artifacts	0.00 (0.00)	0.00 (0.00)	285.00 (0.00)	285.00 (0.00)
Purchase of Car	1.35 (0.00)	0.00 (0.00)	0.00 (0.00)	1.35 (0.00)
Electric Power and Utility Charges	1,893.21 (2,102.30)	0.00 (0.00)	0.00 (0.00)	1,893.21 (2,102.30)
Lease Rent Paid	90.00 (90.00)	0.00 (0.00)	0.00 (0.00)	90.00 (90.00)
Rent Paid	0.00 (0.00)	0.00 (0.00)	105.00 (92.75)	105.00 (92.75)
Interest on Secured Loan	239.85 (362.50)	0.00 (0.00)	0.00 (0.00)	239.85 (362.50)
Rent Income	46.64 (70.54)	0.00 (0.00)	0.00 (0.00)	46.64 (70.54)
Remuneration	0.00 (0.00)	10.20 (9.50)	12.82 (0.00)	23.02 (9.50)
Repayment of loan	2,900.00 (0.00)	0.00 (0.00)	0.00 (0.00)	2,900.00 (0.00)
Payments Under Current Account.	12,672.02 (11,139.01)	0.00 (0.00)	0.00 (0.00)	12,672.02 (11,139.01)

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

(ii) Details of transactions with related parties during the year / previous year (Contd.):

Nature of Transactions	Associate Company	Key Management Personnel	Others	Total
Receipt under Current Account	15,060.28 (26,984.68)	0.00 (0.00)	0.00 (0.00)	15,060.28 (26,984.68)
Balance at the beginning of the year				
Current Account	1471.31 Cr	0.00	0.00	672.88 Dr
Balance at the end of the year				
Current Account	34.61 Cr	0.00	0.00	1471.31 Cr (672.88) Dr
Payables	0.00	0.70 (0.00)	0.00 (0.00)	0.70 (0.00)

Note: Figures in bracket represents previous year's amount.

Note 30 : Segment

The Company has identified two reportable segment viz. 'Yarns' and 'Art and Artifacts' as per Accounting standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India (ICAI). During the year, there was no revenue generation from Art and Artifacts segment. Consequentially, disclosure of segment revenue and segment results is not applicable. The total amount of segment liabilities, total cost incurred to acquire fixed assets total amount of expense incurred for depreciation amortisation and the total amount of significant non-cash expenses for the Art and Artifacts segment were Nil. Hence, Segment Asset, being the only effectively reportable item of the Segment, is reported as below:

	(₹ in Lacs)	
	2011-12	2010-11
(1) Yarns	7,982.10	8,802.99
(2) Art and Artifacts	1,561.89	1,276.89
Total	9,543.99	10,079.88

Note 31 : 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, 2012. 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.

Note 32 :

The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our attached report of even date
For NATVARLAL VEPARI & CO.
 Firm Registration No. 123626W
 Chartered Accountants

R. N. VEPARI
 Partner
 Membership No. 6728

Surat, 30th May, 2012

For and on behalf of the Board of Directors
SANJAY S. SHAH
 Managing Director

Y. C. PAPAIIYA
 Director

C. S. PUNJABI
 Secretary

Surat, 30th May, 2012

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-SIXTH ANNUAL GENERAL MEETING** to be held on Monday, the 30th day of July, 2012 at 10:30 a.m. or at any adjournment thereof.

Ledger Folio No. _____

DP ID * : _____

Client ID * _____

No. of Shares held _____

Signed this _____ day of _____, 2012.

* 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-SIXTH ANNUAL GENERAL MEETING** of the Company at Garden Mills' Complex, Sahara Gate, Surat - 395 010, on Monday, the 30th day of July, 2012 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.